Weekend FT

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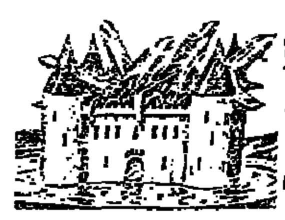


Showdown at Orly *Landing rights and wrongs in Europe* Page 9

FINANCIAL TIMES

Europe's Business Newspaper — WEEKEND MAY 14/MAY 15 1994 — D8523A

Russia and west agree to relaunch Bosnia peace plan

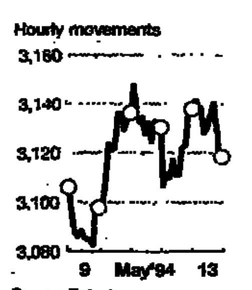
Foreign ministers from the US, the European Union and Russia yesterday overcame deep internal divisions over Bosnia and settled on a plan to relaunch peace negotiations during a proposed four-month ceasefire.

The ministers also reaffirmed an existing plan giving Bosnia's Serbs 49 per cent of the country with Moslems and Croats taking the rest. The warring parties currently reject this arrangement, although they initially signalled acceptance. Page 2

Metals prices soar: Copper reached $2,179 a tonne on the London Metal Exchange, its highest price for 14 months. Nickel was at a 15-month high and aluminium reached a 22-month high. Coffee prices soared to a five-year peak. Page 12

UK airlines to test ruling on Orly: British Airways and Air UK plan to defy French resistance and fly into Orly Airport, Paris, on Monday following a European Commission ruling that the airport must be opened to foreign airlines. Page 24

Footsie falls sharply in late trading



UK share prices fell sharply in late trading, ignoring a solid performance by Wall Street and by US Treasury bonds after encouraging US inflation figures for April. Dealers, at first perplexed by the sudden slide, said that most of the pressure came from the futures market. At the close of a busy trading session the FT-SE 100 index closed 18.6 lower at 3,119.2. Over the week, the Footsie has risen 17.2 points. Page 15; Markets, Weekend II

Bank to sell convertible bond: The Bank of England plans to auction a short-dated UK government bond on May 25 that will be convertible into a long-dated gilt – the first time it has issued such a convertible stock since 1987. Page 7; Lex, Page 24

Rescue plan lifts Metallgesellschaft: Shares in Metallgesellschaft jumped nearly 15 per cent after the German metals, mining and industrial conglomerate, which came to the verge of bankruptcy last January, published details of its planned restructuring programme. Page 11

Schroders plans US takeover: UK merchant bank Schroders is close to taking control of Wertheim Schroder, its US affiliate, in a $150m deal which will give it the biggest wholly-owned Wall Street investment banking business of any British merchant bank. Page 24

IRA kill police station cleaner: A police station cleaner was killed and his wife and two young children injured when their car was blown up by an IRA booby-trap bomb at Lurgan, Co Armagh. Sinn Féin move lifts peace hopes, Page 7

Euro Disney plans shareholders' meeting: Euro Disney, the troubled leisure group which runs the EuroDisneyland theme park near Paris, hopes next week to call a meeting of its shareholders to approve the terms of its FFr13bn ($2.2bn) emergency financial restructuring package. Page 11

Privatisation to be Italian priority: The new Italian government suggested priority would be given to privatisation and reducing the state's dominant role, in a government programme to be delivered to parliament on Monday. Page 3

Asia urged to fight money laundering: A task force representing 26 industrialised countries is pressing Asian governments that supervise fast-growing financial sectors to legislate against money laundering. Page 3

World Bank cash to help blind: The World Bank approved a $117.8m loan to India to support cataract surgery aimed at restoring sight to more than 8m people by 2000. Page 4

Churchill letters fetch £76,000: Four love letters written in 1904 and 1905 by Winston Churchill to to Muriel Wilson, a society beauty who rejected him, fetched £76,857 ($112,200) – more than five times the estimate – at a Christie's auction in London.

Dispute settled after 381 years: The Court of Appeal ruled that Smithfield meat market in the City of London belonged to the City corporation and not to the Crown Estates, ending a dispute which began 381 years ago. Page 7

■ STOCK MARKET INDICES		
FT-SE 100:	3119.2	(-18.6)
Yield	3.90	
FT-SE Eurotrack 100	1468.03	(+7.05)
FT-SE-A All-Share	1571.63	(-0.6%)
Nikkei	20,270.75	(+46.51)
New York: lunchtime		
Dow Jones Ind Ave	3659.68	(+6.84)
S&P Composite	443.83	(+0.08)

■ US LUNCHTIME RATES	
Federal Funds:	3¾%
3-mo Treas Bills: Yld	4.2%
Long Bond	84 7/32
Yield	7.534%

■ LONDON MONEY		
3-mo Interbank	5 1/2%	(Same)
Liffe long gilt future:	Jun 105 1/8	(Jun 104 1/16)

■ NORTH SEA OIL (Argus)		
Brent 15-day (Jul)	$16.365	(16.04)

■ Gold		
New York Comex (Jun)	$381.5	(380.8)
London	$380.35	(379.0)

■ STERLING		
New York lunchtime:		
$	1.499	
London:		
$	1.5084	(1.4994)
DM	2.5012	(2.5052)
FFr	8.5776	(8.5897)
SFr	2.1369	(2.1446)
Y	157.169	(156.695)
£ Index	80.1	(Same)

■ DOLLAR		
New York lunchtime:		
DM	1.66935	
FFr	5.724	
SFr	1.42525	
Y	104.875	
London:		
DM	1.6671	(1.6706)
FFr	5.717	(5.7289)
SFr	1.4243	(1.4303)
Y	104.755	(104.505)
$ Index	65.7	(Same)
Tokyo close Y 104.58		

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Labour seeks to avoid split in battle for leadership

Support grows for Blair as Brown appears set to stand

By Kevin Brown and Philip Stephens

Support for Mr Tony Blair, Labour's shadow home secretary, hardened yesterday as the party appeared set to speed up the contest for a successor to succeed Mr John Smith as leader.

As both major parties struggled to come to terms with Mr Smith's sudden death on Thursday, it became clear that Mr Gordon Brown, the shadow chancellor, was also determined to stand.

But amid confusion about the timing and rules for an election, Labour MPs said there would be strong pressure on the two men to avoid a divisive struggle by agreeing on a single leadership candidate representing the party's "modernising" tendency.

The man who might be Labour's JFK ....Page 6

Major urges time for reflection ....Page 7

An opportunity to end adversity ....Page 8

Senior Conservatives said the changed political landscape may prompt Mr John Major, the prime minister, to postpone his planned cabinet reshuffle to give the government time to develop a strategy for combating Labour's new leader.

Cabinet ministers said there was virtually no risk of an autumn challenge to Mr Major, but right-wing backbenchers said his future continued to depend on strong leadership.

Some Labour MPs said the outcome of the party's leadership contest could depend on Mr John Prescott, the traditionalist shadow employment secretary, and Mrs Margaret Beckett, the left-wing acting leader.

Mr Prescott is minded to enter the race, but is considering a deal with Mr Blair under which he would become deputy leader with responsibility for running Labour's election campaigns.

Such a "dream ticket" would team the telegenic Mr Blair, one of Labour's key "modernisers," with a deputy with strong links to the trade unions and the party's traditionalists.

But it would be difficult to arrange unless Mrs Beckett agrees to stand down as deputy leader before the party conference in late September.

The party's national executive committee will meet on May 25 to discuss the timing and rules for the election, but is likely to put off a decision until mid-June.

This would accord with the shadow cabinet's wish that leadership campaigning should not start until after the European elections on June 9. The result would probably be announced at a special conference in July.

Mr David Blunkett, Labour's chairman, said the party would move "sensibly but quickly into resolving the leadership, and the opinion appears to be we should try and do that by mid-July." Mr Blunkett urged candidates not to engage in open campaigning until the race is officially declared open.

Voting could take up to five weeks because of the requirements of the one member, one vote, electoral system - introduced last year at Mr Smith's insistence. It gives a third of the votes to each of three groups: MPs and MEPs, individual party members, and trade union supporters who pay the political levy.

The introduction of individual voting will reduce the influence of left-wing trade union leaders, and is likely to benefit moderate candidates such as Mr Blair and Mr Brown. Most MPs regard Mr Blair as the clear favourite. However, some warned that his greatest handicap might be the strong support for his candidacy emerging in the media.

Some MPs said that either Mr Prescott or Mr Brown might be more acceptable than Mr Blair to constituency activists. Mr Brown, who represents Dunfermline East, may also win strong backing from the large group of Scottish Labour MPs.

Continued on Page 24

Celebrating Palestinian police brandish AK-47 automatic rifles, the symbol of their new freedom, alongside the Palestinian flag Reuter

Palestinians mix joy with disbelief

Israelis withdraw from Jericho after 27 years of occupation

By Julian Ozanne in Jericho

Jubilant Palestinians hugged and kissed their new police force as it triumphantly entered Jericho yesterday after Israeli soldiers lowered the Star of David flag and formally quit the town after 27 years of occupation.

The Palestinian police, in green uniforms and berets, arrived showing the victory sign and brandishing new AK-47 automatic rifles above their heads. Under the Palestinian self-rule accord, Jericho will become the seat of the new administration, which covers the area around the town and the Gaza Strip.

In the main square, drivers honked their horns, cafe owners blasted loud music and boys waved the Palestinian flag and pictures of Mr Yassir Arafat, Palestine Liberation Organisation chairman.

Throughout the day, Jericho's residents mixed euphoria with near disbelief that the Israelis had really gone. Townspeople woke to find a vanguard of Palestinian policemen standing on the roof of the central police station, evacuated by the Israelis during the night.

"I nearly lost control of my car when I saw our Palestinian police there," said Mr Isaac Shawa, a storekeeper. "I thought I was still dreaming but then I realised it was true.

"I feel extremely happy. There is a real change on the ground and we can start to sleep peacefully and start a new life with our freedom. For us, Friday the 13th will always be a lucky day."

Just outside the town, trucks loaded with uniforms, boots, filing cabinets and furniture moved into Israel's former military camp. Brigadier Ismail Jabr, commander of the Jericho police force, promised a crowd of Palestinians that he would govern them with democracy and law, and that from Jericho the PLO would one day enter Jerusalem.

The 750-strong police force came from the Al-Aqsa brigade of the Palestine Liberation Army, based in Iraq, and the Badr brigade from Jordan. One officer, who refused to give his name, said he had been in Basra, southern Iraq, during the Gulf War "on operations".

Mr Mohamed Mahmoud,

Continued on Page 24

Japanese withhold vital Eurotunnel cash

By Robert Peston and Roland Rudd

Eurotunnel is on the brink of another financial crisis this weekend because its Japanese bank creditors have contributed little of vital new financing with only one working day remaining before Monday evening's deadline for £700m of loans to be raised.

Because of the gravity of the situation, Mr Pen Kent, a Bank of England director, is intervening to try to persuade the banks to contribute their share of the funds.

The Bank is talking both to the banks directly and to Japan's central bank.

"We are not going to let this vital transport project go down for the want of a couple of yen," a UK government official said.

European bankers said they were considering whether to ask Mr John Major, the prime minister, to write to his Japanese counterpart, Mr Tsutomu Hata.

A senior Whitehall official said: "The government is ready for a bit of arm twisting with the Japanese banks."

The tunnel operator needs to raise £700m in new senior bank debt from its syndicate of 200 banks prior to launching a rights issue to raise a similar amount. However, it has received commitments for just £500m, largely because of the absence of contributions from Japanese banks.

The new funds are needed largely because of the delayed start to services through the tunnel which means that the company will receive less revenue in the next couple of years than was originally hoped.

In order for the financing to go ahead, a 90 per cent majority of banks also has to agree to change bank covenants, since the company is currently in breach of its borrowing agreements. It currently has 80 per cent of votes in favour and needs positive responses from "just a dozen more banks", a banker said.

However, the fund-raising exercise cannot succeed without the

Continued on Page 24

India invites private sector to invest £4.9bn in telecoms

By Stefan Wagstyl in New Delhi

India announced the end of the state's monopoly of telephone services yesterday and invited private companies, including foreign groups, to invest up to Rs230bn (£4.89bn) over the next three years.

The decision, the latest step in the country's economic liberalisation programme, has been made on the eve of a visit to the US by Mr P.V. Narasimha Rao, the prime minister, to promote trade and investment.

A highlight will be a meeting with leaders of the US telecommunications industry in Houston. Potential investors are likely to be attracted by the prospect of entering one of the world's least developed telecommunications markets, with only eight telephone lines per 1,000 people, compared with a global average of 100 lines.

However, the announcement yesterday left unclear the detailed terms under which private investment will be permitted, and left considerable authority in the hands of the government's telecommunications department, which will be both a competitor in providing services and a regulator.

The policy statement sets out a target of increasing the number of lines to be installed in the government's 1992-97 five-year plan from 7.5m to 10m. Given that India had just 5.3m lines in early 1992, the plan envisages nearly trebling the size of the network.

The government calculates it will need about Rs230bn on top of the Rs245bn originally allocated for the five-year plan, and private companies are invited to help close the investment gap. But there will be restrictions.

Companies entering the market will be required to operate in rural and urban areas. They will have to agree tariffs and revenue-sharing arrangements with the telecommunications department, which is entrusted with protecting consumers' rights and ensuring fair competition.

Mr Ram said the maximum permissible level of foreign equity participation would be decided "case by case".

The new policy has been settled after six months of political wrangling between Mr Ram and Mr N. Vittal, chairman of the government's Telecommunications Commission and the chief civil servant overseeing telecommunications. Mr Vittal originally proposed radically overhauling the industry, including turning the telecommunications department into a corporation, prior to possible privatisation.

The result is seen as a compromise. But much will depend on officials' attitudes. They have shown themselves slow to welcome private companies into services such as mobile telephones, in which entry has been limited by bureaucratic delays, restrictive rules and legal disputes.

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NEWS: INTERNATIONAL

US, EU and Russia agree new drive

West to relaunch Bosnia peace plan

By Our Foreign Staff

Foreign ministers from the US, the European Union and Russia yesterday overcame deep internal divisions over Bosnia and settled on a plan to relaunch peace negotiations during a proposed four-month ceasefire.

The ministers also reaffirmed an existing plan giving Bosnia's Serbs 49 per cent of the country with Moslems and Croats taking the rest. The parties to the conflict currently reject this arrangement, although they initially signalled acceptance.

The apparent agreement took place in the shadow of a clash over Bosnia between the US and Russian legislatures over which side in the conflict should be allowed to receive weapons shipments.

The Russian parliament yesterday urged President Boris Yeltsin to lift the arms embargo against Serbia unilaterally if any other country began sending arms to Bosnia. This was an angry response to a US Senate resolution supporting sales to the Moslem leadership in Sarajevo.

The state Duma, or lower house of parliament, voted 270-1 for the resolution, which also told the Russian government to seek a negotiated end to all sanctions against rump Yugoslavia, which consists of Serbia and Montenegro.

Sharp differences over how to make peace in Bosnia have left mediation efforts in some disarray. The US has backed the Moslems in their reluctance to sign an overall truce which would consolidate recent territorial gains by the Serbs.

The Russians, and to some extent the west Europeans, want pressure on the Moslem as well as the Serb side to accept a territorial compromise.

The Russian parliament's move, which does not bind the president but carries moral weight, was in response to a vote on Thursday in the US Senate, which called for a unilateral end to sanctions against the Moslem-led Bosnian government.

The twin votes brought Washington and Moscow closer to open confrontation over Bosnia, with emotion running high in both capitals. Supporters of the Bosnian government in Washington say it has been unfairly deprived of the chance to defend itself against a vastly better armed enemy.

Even within the EU, there has been a struggle to co-ordinate policy over Bosnia. The establishment of a contact group in which the EU was represented only by Britain, France and Germany caused intense irritation in Italy and Greece, which now holds the EU's rotating presidency.

As a compromise, yesterday's meeting in Geneva was also attended by Greece and Belgium, the current and previous holders of EU chair.

Italian privatisations to be priority

By Robert Graham in Rome

The new Italian government yesterday suggested priority would be given to privatisation and reducing the state's dominant role, in a government programme due to be delivered to parliament on Monday.

These objectives were outlined yesterday by Mr Gianni Letta, the chief of staff of Mr Silvio Berlusconi, who was sworn in as prime minister last Wednesday, after a cabinet meeting that studied the broad programme.

The programme has been put together only during the past week and it remains to be seen how many of the items from the election programmes of the three main partners in the Freedom Alliance have been adopted.

However, the emphasis on privatisation and tax reform underlines the main platform of both the populist Northern League and Mr Berlusconi's Forza Italia movement. Another priority will be tax reform.

To stress the importance of tax reform, Mr Letta said the finance ministry had been given three junior ministers instead of the usual two.

The cabinet meeting also approved 37 junior ministers. The list shows a delicate balance between the need to placate the various parties in Mr Berlusconi's alliance and the need to find technically competent people to back up an inexperienced ministerial team.

The neo-fascist MSI/National Alliance has been awarded 12 junior ministries on top of five ministerial portfolios. This represents the culmination of the MSI's remarkable political advance after four decades of being regarded as a pariah.

Mr Berlusconi's Forza Italia is represented by 13 junior ministers, including a pro-European Forza Italia senator and former journalist, Mr Livio Caputo, who will be in direct charge of European policy.

The League, although having the most parliamentary seats, was awarded only 10 junior ministries. But this reflects Mr Berlusconi's view that the League already has its prize, the interior ministry.

Government and council plan to rehouse all shanty-dwellers

Dreams of leaving Lisbon's slums

Europe's changing cities

Sleeping dogs, dead rats and discarded syringes lie along the dirt paths leading into a forlorn neighbourhood of shanty dwellings and slum houses, sprawling across a Lisbon hillside in the shadow of a multi-storey shopping centre, Peter Wise reports from Lisbon.

Young men question outsiders before admitting them to the rows of crumbling houses and dilapidated shacks made of planks, plastic sheeting and corrugated iron. The only visitors they expect are the police or drug-takers looking for supplies.

One long-standing resident, Mrs Maria Leonor, 32, lives here with her family of seven in a one-room dwelling made by her husband, a street vendor, by nailing rough pieces of timber to wooden struts. The city council gave them the boards and nails after a fire destroyed their previous shanty home in 1985.

Mrs Leonor is out of work and has never learnt to read or write. She points up stone steps strewn with rubbish to the tap where she fetches water. Three men facing a nearby wall look round furtively as they inject themselves in the forearms.

This is Casal Ventoso, acknowledged by Portuguese officials as one of the worst slums in western Europe. Mrs Leonor's home is just one of 38,000 shanty dwellings in Portugal, housing an estimated 43,000 families. Most of them share one ambition: "I just want to move out into a home that is safe for my children," she says.

Little has been done to alleviate the plight of shanty dwellers since *bairros de lata* – "tin-can quarters" – first appeared in Portugal almost a century ago. But the centre-right government is now embarking on an ambitious Es270bn (£1bn) programme to eradicate shanty towns and rehouse their occupants before the end of the century.

"The shanties prick at the conscience of the whole nation," says Mr Joaquim Ferreira do Amaral, minister for public works, transport and telecommunications. "No other country at the same level of development as Portugal suffers from this shameful problem."

Under the plan, the government will pay for the construction of new homes and local authorities, most of which are controlled by the opposition Socialist party, will administer them and subsidise rents according to the occupiers' means. Most shanty dwellers pay no rent and low, if any, utility bills.

Migration from the rural interior to Lisbon and Oporto produced many of the existing *bairros de lata* in the 1950s and 1960s. Many of the workers who built Lisbon's April 25 suspension bridge, which opened in 1966, still live in nearby shanty towns.

Others, like Pedreiro dos Hungaros to the west of Lisbon, are populated by immigrants from Portugal's former African colonies, mainly the Cape Verde islands. The atmosphere is more convivial here than in Casal Ventoso, but conditions are just as bad.

Several factors foment the building of shanty towns. Portugal has no pool of low-rent, state-owned housing. The private rent market was undermined by a 40-year rent freeze that discouraged owners from renting out properties and is only now slowly being re-animated. And taxes amounting to more than half the cost of a house help put buying a home beyond the reach of many low-wage earners.

More than 5,000 shanty dwellings have been destroyed in Lisbon since a coalition of Socialists and Communists won control of the city council in 1989. This month, the government and the council agreed on a Es72bn programme to build 11,129 houses to rehouse all the families in the city still living in shanty towns.

Most will be moved into apartment buildings. And surveys among residents dismiss as sentimental myth the opinion that they will miss the open-air life, vegetable plots, chicken runs and community spirit of the *bairros de lata*. "We're not aware of a single person who would rather stay in a shanty town than move into a flat," says Mr Vasco Franco, the Lisbon city councillor responsible for the rehousing programme.

But Mr Franco fears that the pressures that led to the growth of the shanty towns will continue and possibly increase. Many construction workers will be attracted to the capital by an extensive infrastructure programme, including the building of a new bridge over the Tagus river, the Expo '98 international exhibition and the housing programme itself.

The city council demolishes every new shanty dwelling that appears, currently at a rate of four of five a day. But other forms of cheap accommodation are taking their place. "There are small apartments in Lisbon where up to 20 people sleep in rows of bunk beds, paying by the night," says Mr Franco. "The only lasting solution to the problem is for the state to invest in building a large pool of accessibly-priced homes."

Lisbon slumdwellers: they dismiss as a sentimental myth the suggestion that they will miss the open-air life and community spirit if moved to blocks of flats. Frank Spooner

Mexican rivals debate on television

By Damian Fraser in Mexico City

The first televised presidential campaign debate in Mexican history was watched by an estimated 30m viewers – and delivered a victory for the least known of the three main candidates.

Yet, the mere fact that the leading contender, from the party which has governed the country for 65 years, shared the podium in Thursday night's debate with the opposition was considered a turning point for the country's political system.

The candidates in the August election generally agreed on the issues confronting Mexico. They discussed corruption, poverty, the discredited legal system, the need for more democracy, and faster economic growth.

They exchanged insults, offered different solutions, but overall eschewed radical policies and sought to identify themselves with the political centre.

Mr Diego Fernández de Cevallos, the candidate of the centre-right National Action party, emerged as the clear winner; Mr Ernesto Zedillo of the governing Institutional Revolutionary party (PRI) in second place; and Mr Cuauhtémoc Cárdenas of the Party of Democratic Revolution as the loser, according to the telephone polls conducted for Multivision, a pay TV station, Telemundo, a US Spanish language station, Reforma, an independent newspaper, and for Economista, a financial daily.

Such polls have to be treated sceptically, in part because only the relatively well-off, who are probably less inclined to back Mr Cárdenas, have telephones. But the low support for him coincided with the view of most independent analysts that the PRD candidate failed to impress in his hour-and-a-half before the cameras.

Mr Fernández de Cevallos's success may be the best outcome for the PRI. It suggests that he can prevent the opposition vote coalescing around Mr Cárdenas and may even overtake him as the main opposition candidate. Mr Cárdenas came close to winning the 1988 presidential election, and his attacks on the PRI and lack of democracy have damaged the party's legitimacy at home and abroad. The PAN has generally co-operated with the PRI.

Mr Fernández de Cevallos is a trial lawyer by profession, and proved the most engaging and natural speaker, the most willing to depart from his prepared text, and most effective at attacking the other candidates, especially Mr Cárdenas.

Mr Zedillo, was less adept in debate and at times appeared stiff and self-conscious. But he offered a clear and coherent view of the policies he would implement.

While Mr Cárdenas sought to come across as moderate and reasonable, he was perceived by many as being too critical, and as the least articulate of the candidates.

IMF team to begin visit to Venezuela

By Joseph Mann in Caracas

A team from the International Monetary Fund is scheduled to begin a two-week visit to Venezuela on Monday, just asthe country's international monetary reserves have fallen sharply and the government has restricted the sale of foreign exchange to the public.

Mr Julio Sosa, Venezuela's minister of finance, said the government's liquid reserves stood at more than $3bn (£2bn) and it would be "precipitate" to discuss a standby arrangement with the IMF now. Mr Fernando Egana, an aide to President Rafael Caldera, who took office in February, said the IMF team's visit was a regularly scheduled one.

But Mr Miguel Rodriguez, minister of planning and president of Venezuela's central bank under the government of President Carlos Andrés Pérez from 1989 to 1993, this week recommended that the government begin negotiating a standby arrangement with the fund immediately.

Mr Rodriguez, the main architect of the Pérez government's free-market programme, criticised the central bank's recent decision to establish daily auctions at which banks and exchange houses can buy limited volumes of US dollars. Venezuela has returned to this "abominable" practice, while exchange controls have been abolished in other parts of Latin America, he said.

The auctions, which replaced open sales of dollars to the public and were meant to reduce sales of foreign exchange, immediately led to the development of a dual-rate system. The differential between the central bank rate and the parallel market rate reached as high as 20 per cent in recent days.

Venezuela eliminated a multiple-rate exchange control system in 1989, the same year it initiated an extended agreement with the IMF which expired in 1992. Breaking with recent practice, the central bank has not released complete figures on its international reserve position for the previous month. Gross reserves stood at $12.5bn at the end of 1993, but fell by 14 per cent during the first quarter of this year.

Dollar sales by the central bank over the last several weeks are believed to have been unusually high, but no official information has been made public yet.

Rumours push drachma down

By Kerin Hope in Athens

The Greek drachma came under strong pressure yesterday, losing ground against the D-Mark following rumours that the government plans to lift controls on short-term capital movement ahead of its July 1 deadline.

The market has been jittery for several days as reports emerged of discussions between central bank and economy ministry officials in preparation for lifting foreign exchange restrictions.

The drachma closed at DM148.10, down from Dr147.5 the previous day. Dealers said it had cost the Bank of Greece some DM500m (£200m) to prop up the drachma yesterday after the German currency reached record levels elsewhere in Europe on Thursday, when Greek markets were closed for a public holiday.

Greece was granted an 18-month extension on lifting all foreign exchange curbs in line with European Union rules. The main restriction still to be removed is a ban on drachma lending for periods of less than three months.

The government is concerned about both speculative attacks against the drachma in the run-up to July 1 and the possibility of a sudden capital outflow as soon as restrictions are lifted.

It faces difficulties in financing a rising public deficit. It currently has to raise more than Dr150bn each month through issues of short-term Treasury bills. Greece's public debt is the highest in the EU, at almost 140 per cent of gross domestic product.

However, a senior Bank of Greece official said yesterday that the July deadline was "still in place, with neither delays nor an early lifting of restrictions in sight".

The interbank three-month rate briefly touched 26 per cent yesterday, against 21.6 per cent on Wednesday.

The timing yesterday of the central bank's announcement that it was imposing a 9 per cent reserve requirement on bank deposits held by public sector enterprises, in accordance with EU rules, contributed to the overall anxiety.

The Athens stock market was also affected; the index fell 1.74 per cent yesterday.

US inflation rises less than expected

By Michael Prowse in Washington

Upward pressure on US inflation remains subdued, official figures indicated yesterday.

The consumer price index rose 0.1 per cent last month, less than expected. The annual rate of inflation fell to 2.4 per cent from 2.5 per cent in March. "Core" consumer prices – which exclude the volatile food and energy components – were also subdued, rising 0.2 per cent last month and by 2.8 per cent in the year to April.

The figures followed an encouraging report on wholesale price inflation earlier this week. Producer prices fell 0.1 per cent last month, taking the year-on-year decline to 0.4 per cent.

Most economists, however, still expect the Federal Reserve to signal another increase in short-term interest rates next week following a meeting of its policy-making open market committee. A rate increase is seen as necessary to slow the rate of domestic growth and help stabilise the dollar in foreign exchange markets.

Turkey under fire as UN confirms refugee claims

By John Murray Brown in Ankara

The Turkish government was yesterday criticised by Kurdish MPs, after the United Nations confirmed reports that several thousand Kurdish villagers had crossed the border into Iraq, in the wake of a heavy government onslaught against the separatist Kurdistan Workers party (PKK).

Mr Selim Sadak, MP for Sirnak in Turkey's Kurdish heartland, writing to the interior minister, Mr Nahit Mentese, demanded a government investigation of allegations of bombing by Turkish military aircraft of Kurdish villages in which he claimed at least 48 people were killed. The government said earlier that a bomb had been dropped by accident.

The incident underscores the violent escalation in the fighting, with more than 4,000 guerrillas, soldiers and civilians killed in the past year.

The UN, contacted in Baghdad yesterday, confirmed that around 800 families were being given temporary shelter and food near the border town of Zakho, complaining of harassment by Turkish troops.

The Turkish government has dismissed the situation as a PKK propaganda ploy. Foreign ministry spokesman Ferhat Ataman vehemently denied eyewitness reports that villages were being deliberately targeted by security forces.

The PKK has increased attacks against targets in western Turkey in recent months, including the killing of five off-duty Turkish army conscripts in Istanbul. This, more than any other recent incident, has inflamed public opinion against the Kurds.

The intensified conflict is causing concern in western capitals. The German foreign minister, Mr Klaus Kinkel, in a German magazine last week, said the Conference on Security and Co-operation in Europe should convene a conference on the Kurdish problem. Scandinavian countries have more than once called for CSCE monitors to go to the south-east. For the first time, the US is calling on Turkey, its Nato ally, to find a political solution to the problem of the 10m-strong Kurdish minority.

However, in the wake of recent escalations in the violence, Mrs Tansu Çiller's government has hardened its view, abandoning the political initiative to win over moderate Kurds by democratic reforms.

US World Cup planners await the barbarian hordes

Jurek Martin prepares for his past to be scrutinised as the walls go up

The World Cup is still a month off and the English are not coming, but already the US, a nation not unfamiliar with violence, is battening down the hatches against soccer mayhem.

A series of solemn announcements from the organising committee has given the impression that the US fears the worst. Much ridiculed and probably widely to be disobeyed, they include:

- The erection of riot fences separating the crowd from the field of play at several venues, including the RFK Stadium in Washington, home of the American football Redskins.
- Tight restrictions on the sale of alcohol before and during matches, with a two-beer limit per customer, no vendors walking through the seats and no sales after half-time.
- Reporters must sign a waiver permitting background investigations by the FBI and other law enforcement agencies, without which they will not get necessary credentials. The intent, apparently, is to root out terrorists with press passes, though the effect may be to reduce media coverage to even lower visibility.

The domestic response has ranged between fury and amusement. Several prominent US news organisations have mounted the high civil liberties horse and said they will have no truck with the waiver (your FT correspondent, a known professional agitator, signed the waiver confident that his tracks were well covered).

The managers of RFK stadium said they would stick with their standard alcohol sale policy, which is liberal. A Redskins game traditionally features extended parking-lot "tailgate" parties before kick-off, followed by a mad scramble to beat the traffic jams afterwards.

Sporting violence is not unknown in the US, even in baseball, the cerebral sport, but it is mostly confined to players and to fan celebrations which get out of control after a team has won a championship. Comfortable all-seat stadiums, with sometimes decent food and drink, tend not to stir crowd's blood beyond a bit of yelling and Mexican waving.

Soccer's bad reputation, however, is not confined to stories from abroad. In California, a schools league this year banned the traditional post-game handshake between players because the ceremony often degenerated into the trading of spitting, insults and fistfights.

Only the other day, the Washington Post reported that the coach and most of a local suburban high school team had been suspended after getting into a brawl with a visiting Russian side towards the end of a particularly foul-filled match.

But the last word in ridicule on the riot fences was surely provided by the Post's Tony Kornheiser: "Why not a moat, stocked with piranhas?" he asked. "Or heads up on spikes?"

Of course, he understood that the terrible *foreigners* due to play in DC were different. With the Dutch "it's the wooden shoes that cut off the circulation to their brains... Van Gogh sliced off his ear at a soccer game". The Norwegians "go berserk all the time in the summer" from "hormonal rush", having spent the rest of the year frozen.

The "phlegmish" Belgians "will probably sell us poisoned waffles". When the Saudis riot "they claim it's a religious experience". The Italians "cruise our streets indiscriminately, pinching women and weepily singing opera". Now the Mexicans have "got money from Nafta, they'll get here and go crazy".

The fence, Mr Kornheiser concluded, "is a bad symbol and a bad idea. Dump it."

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Singapore takes modern message to China

Tony Walker and Andrew Gowers visit what Lee Kuan Yew hopes will be his lasting monument

Singapore under the rule of Mr Lee Kwan Yew has drawn inspiration from ancient Chinese traditions of diligence and filial obedience: now the island state is in the process of giving back to modernising China some of the lessons it has learned in its transformation from British colony to modern regional centre of commerce and industry.

In marshy land about 80 kilometres west of Shanghai, near the scenic town of Suzhou, work began this month on one of China's most ambitious projects – a US$20bn (£13.6bn) Singapore-Suzhou industrial park designed to serve as a model for other such projects throughout the country.

This "super-development" zone, in which Singaporean institutions will be shareholders, will cover about 70 sq km, and in many respects will be a giant replica of Jurong, Singapore's largest industrial estate. Jurong houses some 2,000 companies and is regarded as one of the jewels in Singapore's industrial crown.

Responsibility for guiding the project has been vested in Singapore-Suzhou Township Development (SSTD), which was incorporated in Singapore last September with authorised capital of $300m; SSTD is forming a joint venture with a consortium of Suzhou companies and the Chinese government to implement the project.

Mr Zhao Da Sheng of the Singapore-industrial park's preparatory committee said, with the Chinese love of animal metaphors, that, while Shanghai might be the head of China's economic dragon, Suzhou and surrounding areas were the neck supporting the head.

Mr Zhao has a point, one that has not escaped the Singapore authorities who have secured for themselves a substantial foothold in China's fastest-growing region in the Yangtze river delta. Singaporean companies and their international partners will certainly benefit from Singapore's involvement in the project.

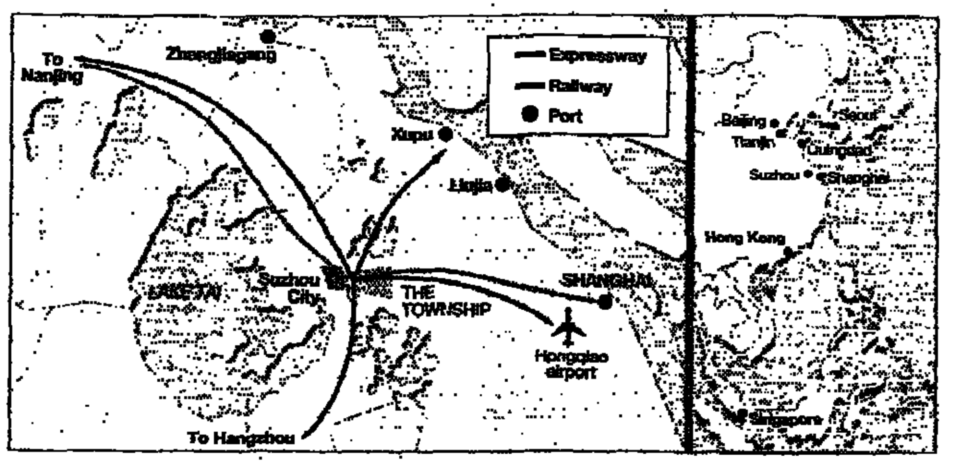
"We believe," Mr Zhao said, "that Singapore's leaders are very good strategists."

Mr Lee Kuan Yew has himself taken a close interest in the project and was a co-signatory in Beijing in February this year of the government-to-government agreement pledging official backing.

The Singaporean push into China is also a sign of strengthening bonds with overseas Chinese communities. It is doubtful that China, with its sensitivities about foreign concession areas dating from its pre-revolution experience, would have countenanced such an industrial park managed by "foreigners" if they were not overseas Chinese.

Japanese corporations, according to Mr Zhao, had asked if they could participate in the establishment of the industrial park, but had been politely told no.

China, for its part, makes no secret of the fact that it is seeking to utilise Singaporean experience and know-how in its efforts to make best use of foreign investment. No less a figure than Mr Deng Xiaoping, China's senior leader, said in 1992 of Singapore that "we should tap their experience, and learn how to manage better than them".



Managers of the new park have certainly set themselves an ambitious task in their plans to transform paddy fields and a polluted lake into an estate that would include both light-industry facilities, retail malls, a financial district and residential complexes, not to mention at least one golf course.

About $100m has been set aside for infrastructure costs of developing the first 2-sq-km stage of the project's Phase One of the three-phase project. The organisers plan initially to build 90,000 sq m of standard workshops and some 60,000 sq m of housing with shopping facilities.

Mr Zhao said the early response from international business had been positive, and German companies in particular have been taking a close interest in the project. Among attractions for German companies engaged in the manufacture of vehicle components is that Volkswagen's main China assembly works is nearby.

The development zone, will be a giant replica of Singapore's Jurong

Interestingly, German companies had asked whether a section of the park could be set aside exclusively for their use. Mr Zhao indicated that, "if the price was right", this proposal would be looked upon favourably.

Light industries likely to find a home in the park include telecommunications, pharmaceuticals, electronics and environment protection equipment. Foreign retailers have also been told they are welcome, along with foreign banks.

When the park is completed in 2006, its resident population is expected to number 600,000, but Mr Zhao insists that residential and industrial development will be balanced carefully.

"We don't want a situation like Shenzen (the booming development zone adjacent to Hong Kong) where the population jumped from 100,000 to one million in a few years," he said.

Among Singapore institutions involved in planning and implementation are the Jurong Town Corporation, Housing and Development Board, Ministry of the Environment, Public Works Department, Urban Redevelopment Authority and Public Utilities Board.

The 70-sq-km zone will offer much the same tax-breaks as the Economic and Technological Development Zones (ETDZ's) of China's coastal cities. These include tax-holidays and other concessions such as a 40 per cent tax rebate on profits reinvested within the township.

Leases on property will be more expensive than other development zones, but lease periods will be long. For residential property, 70-year leases are being offered; for industry, 50 years; for commerce, 40 years.

Singaporean participation among private-sector companies and government institutions reads like a who's who of Singapore's business. Among those involved include Keppel Corporation, the leader of the consortium, which is a $7bn company involved in ship repair, property, engineering and financial services.

Others include property companies like Singapore Land and City Developments, and investment groups, among them Temasek Holdings, the Singapore government's investment holding company, and National Trades Union Congress Co-operatives, the investment arm of Singapore's largest labour organisation.

Mr Lee Kuan Yew may not have returned physically to the land of his ancestors, but he is doing his best to ensure that a monument to his memory will survive long after he departs the scene.

Asia urged to fight money laundering

By Victor Mallet in Bangkok

Industrialised nations are urging Asian governments that supervise fast-growing financial sectors to join the fight against money laundering, according to members of a task force established by the Group of Seven countries.

Mr John Gieve, president of the Financial Action Task Force on Money Laundering (FATF) and under-secretary at the UK Treasury, announced yesterday that Malaysia had agreed to host a conference on money-laundering for the region's financial and legal officials in November, following a seminar in Singapore last year.

"If money laundering is to be combatted effectively, action needs to be taken at the widest possible international level, particularly in countries which are becoming increasingly important as financial centres," he said in Bangkok.

"A major part of our work is therefore now concerned with the adoption of anti-money laundering measures by non-member countries," he said.

Money laundering and drugs are the subjects of heated debate in Thailand at present.

This week the US announced that Mr Thanong Siripreechapong, a Thai opposition member of parliament, had been charged with smuggling tonnes of marijuana into the US. The Thai government says it is considering introducing anti-laundering legislation to help curb the drugs trade.

Several Thai politicians are suspected of involvement in drug smuggling, and the Golden Triangle where Thailand, Burma and Laos meet is notorious for opium-growing and heroin production.

The 26-member FATF already includes representatives from regional financial centres Japan, Australia, Singapore and Hong Kong. FATF officials are hoping to persuade other countries, including Taiwan, South Korea, Thailand and eventually China to introduce anti-laundering laws; typically such laws make money-laundering a criminal offence, allow suspicious flows of money to be traced through the banking system, and provide for the confiscation of assets.

Mr Gieve and his colleagues said that even if commercial banks feared the expense of implementing such legislation and had concerns about banking privacy, experience in countries such as Switzerland showed that anti-laundering rules were workable and enhanced the reputation of the financial centres applying them.

Only a handful of races are open to outsiders

Impossible hurdle for foreign horses in Japan

By Michiyo Nakamoto in Tokyo

Sumo, Japan's national sport has its foreign stars, and most of the country's soccer stars are imported. But in the world of horse-racing, the foreign-bred steed is still shut out from most events.

Tomorrow, five foreign horses will run in the Yasuda Kinen race in Tokyo, one of just a handful of races in Japan that are open to horses from abroad.

It will be closely watched, both for the money riding on the horses and for the impact on the industry, which wants to keep the hurdles high for foreign horses.

The bets are that one of the five will beat Japan's best for the Y94m (£618,400.00) first prize, confirming horse breeders' worst fears that opening more of the country's races to non-Japanese thoroughbreds will lead to foreign domination of a home-grown industry.

In spite of pressure from abroad, only five of the more than 3,400 horse races held in Japan each year are open to foreign horses. Even in those five races, the number of foreign participants is strictly restricted, and only 5 of the 15 or so horses running in the Yasuda Kinen are non-Japanese.

In the case of sumo, tradition provided a reason for some officials to put obstacles in the path of foreign wrestlers. But Japanese opposition to opening horse racing to foreign competition stems from economic vested interests that have been used to defend other Japanese markets, such as rice.

Not only are foreign horses highly competitive, they are about 30 per cent cheaper to raise than Japanese horses. If more races are open to imports, local horses will win fewer awards and their market value will fall, damaging the breeding industry, according to the Japan Racing Association.

Only five out of 3,400 races accept foreign throughbreds

The Keio Hai spring race last month which was open to foreign horses for the first time this year, helped to fuel those fears. The four horses participating from abroad easily filled the top four positions. "Like agricultural products, Japanese horses cannot compete with foreign ones in terms of costs," says Mr Keiji Matsuo, an official at the Japanese thoroughbred breeder's association, which has 2,353 members.

At stake is a total of up to Y100bn in award money that goes to the top five winners in Japanese horse races.

Horsebreeders are particularly concerned that Japan's commitment under the Uruguay Round agreement to gradually lower its tariffs on imported horses will hurt domestic breeders. The tariffs, of Y4m per horse, which have been a major obstacle to foreign horses participating in Japanese races, are being reduced by 15 per cent or about Y3.4m by the year 2000.

But Japan's horseracing industry is finding it difficult to beat the forces for change. The JRA has launched an eight-year internationalisation programme triggered not so much by foreign pressure, but by strong interest among Japanese horseracing fans to see more foreign horses running in national races.

"There are some very high grade horses running in Sunday's Yasuda Kinen and I am expecting it to be a very exciting race," says Mr Naoto Hashimoto, a Tokyo businessman who is a keen horse racing fan. The race will feature a thoroughbred owned by Sheikh Mohammed of Dubai, two French horses, one from the UK and one from Hong Kong.

Mr Hashimoto believes that competition from imported horses will help raise the level of Japanese horseracing.

"Japanese horses have only competed among themselves, with other horses of the same level," he says. "Competing with foreign horses at home will raise the competitiveness of Japanese horses, which could help them to compete more successfully overseas."

Tokyo to send trade delegation to US

By William Dawkins in Tokyo

The Japanese government plans to take a first step toward restarting trade talks with the US by sending a delegation of senior officials to Washington next week. Mr Eijiro Hata, the new minister for international trade and industry, yesterday confirmed that a delegation of vice ministers – the most senior grade of civil servant – will go to Washington to discuss trade.

This follows a phone call by Mr Tsutomu Hata, the prime minister (unrelated to Miti's Mr Hata) to US president Bill Clinton this week, in which they agreed to resume negotiations. Mr Walter Mondale, US ambassador to Japan, followed this with a visit to Miti's Mr Hata and Mr Koji Kakizawa, the foreign minister.

The Miti minister did not specify which departments – likely to be Miti and the foreign ministry – would form the delegation or if they would have any specific proposals to break the deadlock reached in February, when Mr Clinton and former prime minister Morihiro Hosokawa agreed to disagree over US demands for targets for increased imports.

The new Japanese government yesterday showed some evidence of the fresh pragmatism attributed to it by senior US officials, when Mr Kakizawa told parliament that "some kind of criteria" were needed to measure progress.

Mitsubishi, Proton in Vietnam deal

By Kevin Done, Motor Industry Correspondent

Mitsubishi Motors and Proton, the Japanese and Malaysian carmakers, have received approval by the Vietnamese government to form a joint vehicle manufacturing and sales venture in Vietnam.

The new company, Vina Star Motors, will be owned 25 per cent each by Mitsubishi Motors, Mitsubishi Corporation, Proton and Vietranscimex, a Vietnamese national company.

Mitsubishi Motors is the first Japanese carmaker to enter a joint venture in Vietnam.

The new company will be located in Ho Chi Minh City, and will have an initial equity capital of $12m, which will be increased ater to $16m.

Total investment in the project is expected to rise to $50m.

Vina Star will assemble the Mitsubishi Delica minibus with production scheduled to start in March next year.

Output is planned to rise 5,000 units a year in the first stage and later to 12,000 a year.

Proton, in which Mitsubishi holds a minority stake, said that the joint venture would eventually be expanded to include the assembly of Proton cars in Vietnam.

Meanwhile, Reuter reports that Mitsubishi Motors has agreed with Mitsubishi Corporation and Malaysian and Chinese concerns to make a feasibility study of possible co-operation to develop the Chinese car industry.

The Chinese concerns are the state-owned China North Industrial Group, China Aerospace Corp and Aviation Industries of China, the company said. A Malaysian government investment institute and a Malaysian private bank were also involved.

Report to Miti urges delaying plutonium use

By William Dawkins in Tokyo

A government panel is to propose that Japan delays ambitious plans to increase its use of plutonium as a nuclear fuel.

The suggestion, to be presented to the Ministry of International Trade and Industry next month for consideration as official policy, comes in response to growing domestic and international concern over a surplus of plutonium, a highly toxic fuel that can be used for nuclear weapons.

An interim report, by the advisory committee for energy, calls for construction of a second plutonium powered fast-breeder reactor to be delayed from the end of this decade to early next, according to details leaked by officials. It suggests that plans for a second fuel reprocessing plant – which extracts plutonium from spent fuel – should be suspended until well beyond 2010.

Japan's first prototype fast-breeder, named Monju, based on the west coast, began a self-sustaining reaction last month, using plutonium fuel produced at reprocessing plants in Britain and France.

Its first reprocessing plant, at Rokkasho-mura in northern Japan is due to start operations at the end of the decade. A second Japanese reprocessing plant was due to open in 2010, but the panel says that a construction schedule should not be decided until then, implying that it could not start operating at least until 2020.

A decline in prices for uranium, the fuel used in conventional nuclear power stations, has weakened the economic argument for plutonium fuelled fast breeder reactors, said an official at the government's agency of national resources and energy. However, this would only be a temporary delay in long term plans to increase Japan's use of plutonium.

Esso oil is to reappear in India

By Richard Tomkins in New York

Esso oil is to reappear in India after an absence of 18 years under a deal reached yesterday by Exxon, the US oil company that owns the Esso brand, and Hindustan Petroleum of India.

The two companies have signed a licensing and marketing agreement that will allow Hindustan Petroleum to blend and market Esso lubricants and other speciality products in India.

Exxon, which uses the Esso trademark for its products outside the US, pulled out of India partially in 1974 and completely in 1976 because of the adverse economic and political climate then prevailing.

Since then, the Indian government has taken steps to liberalise its markets. Last year it approved investment plans by several western companies including Coca-Cola, the US soft drinks company, which returned to the country after an absence of 16 years.

Exxon previously owned a refinery and a lubricant manufaturing plant in Bombay and was the market leader in aviation and marine fuels. When it left, the facilities were bought by the Indian government and are now owned by Hindustan Petroleum.

Under the new arrangement, Exxon will use its refinery in Singapore – its largest in the Asia-Pacific area – to supply Hindustan Petroleum with the basic ingredients for a range of lubricants. Hindustan Petroleum will blend them to Exxon's specifications and sell them under the Esso name.

Exxon's presence in the Indian market will be relatively small compared to its position before 1976. But it said the move was significant because it would re-establish the Esso brand in India and provide a platform for a much expansion.

Mr Kwa Chong Seng, chairman and managing director of Esso Singapore, said market studies had shown that Indian consumers had a strong awareness of the Esso brand name.

Palestinians have still not got their act together over a week after the peace deal

Arafat struggles to name cabinet

By Julian Ozanne in Jerusalem

Ten days after the Middle East peace deal was signed Mr Yassir Arafat is still struggling to name the Palestinian national authority which will act as a de facto cabinet for self-rule in the Gaza Strip and Jericho.

In choosing the 24-member authority the chairman of the Palestine Liberation Organisation must carefully balance powerful families, different political factions, Christians and Moslems, men and women, the old and the young.

Most difficult of all perhaps he has to bridge the deep gulf in attitudes between the exiled PLO leadership and those Palestinians from the occupied territories who have experienced 27 years of repressive Israeli occupation and who are suspicious of the "outsiders". Many Palestinians in the West Bank and Gaza believe the outsiders have become corrupt and distanced from the lives of ordinary Palestinians. They also fear that the Tunis-based exiles have little enthusiasm for the democratic ethos that has sprouted during the seven year uprising against Israel.

Palestinian experts say consensus building is a job Mr Arafat does best. For a quarter of a century he has remained chairman of the PLO, surviving military and political setbacks and often bloody internal challenges. But he is clearly having great difficulty in naming the authority which should have been in place last Wednesday.

PLO officials say several nominees like Mahmoud Abbas (Abu Mazen), Farouk Kaddoumi and Jamal Sourani - all members of the 18-strong PLO executive committee - have flatly refused to join the authority . Mr Yassir Abed Rabbo, an important Arafat adviser and head of a small Palestinian faction based in Jericho, has not yet made up his mind. Many "insiders" have also been cautious about joining or have placed conditions on their acceptance.

The reluctance of many PLO leaders to sit on the authority reflects widespread criticism inside and outside the West Bank and Gaza of the concessions Mr Arafat made in negotiating the peace accord. Many prefer to keep their hands clean of self-rule and position themselves for a possible future leadership challenge should Mr Arafat fail to deliver on the high expectations of Palestinians.

The difficulties were demonstrated yesterday after Mr Nabil Shaath, a senior PLO official, announced an "official" list of 15 appointees. Mr Samir Ghoshe, a PLO executive committee member, and Mrs Hanan Ashrawi, former Palestinian spokeswoman, were on the list but both denied they would accept a post. Mrs Ashrawi said her plans to lead a watchdog on democracy, human rights and corruption, remained unchanged.

A majority of the members will be "insiders" from the West Bank and Gaza. At least one woman and one Christian are on the authority. Several important families are represented and Mr Arafat is carefully picking people from different parts of the West Bank and Gaza to accommodate the strong feeling of local community in the territories.

Mr Faisal Husseini, the head of the powerful Arab East Jerusalem Husseini family, is on the list. Mr Husseini has said he wishes to have the portfolio of Jerusalem - the issue which has been shelved in the peace accord but which is the single most important issue to Palestinians.

To appeal to the marginalised Christian community Mr Arafat has named Mr Elias Freij, the Mayor of Bethlehem who will be in charge of tourism - the sector Palestinians feel will develop quickly under self-rule.

A particularly popular appointment is Mrs Intisar al-Wazir (Umm Jihad), the wife of Abu Jihad, the PLO's former number two who was assassinated by Israeli commandos in 1988. Abu Jihad, who was until his death in charge of military operations, is perhaps the most popular figure in the territories. Since his death Mrs al-Wazir has been in charge of running the PLO's welfare fund for Palestinian martyrs and their families and she will have the social welfare portfolio.

Among the outsiders named so far are Mr Ahmed Qurie (Abu Alaa), the PLO official who negotiated the secret peace accord in Oslo and the Israeli-PLO economic protocol and Mr Yasser Amr, a Jordan-based PLO Executive Committee member. Mr Qurie is expected to be in charge of economics and relations with donors and Mr Amr will probably have the education portfolio.

Those not yet named but expected to be on the authority include Mr Jawid-al Ghossein, a London- based businessman who has been in charge of the Palestine National Fund (PLO finance ministry), and Gen Nasser Yousef. Mr Ghossein will have the finance and Gen Yousef the police portfolios.

Almost all those named to the authority are either from Mr Arafat's Fatah faction of the PLO or are close to the Palestinian leader.

Ashrawi: "unavailable"

Ahmed Qurie: in cabinet

Arafat: hopeful

Husseini: on the list

Israel to consider Mideast common market

By James Harding

Israel would consider the establishment of a common market in the Middle East in the next decade following infrastructure developments in the region, Mr Yossi Beilin, Israel's deputy foreign minister, said yesterday.

Mr Beilin, speaking to a group of UK financiers with interests in the recently launched Israel Fund Plc, emphasised the benefits of co-ordinated policies for energy, transport, telecommunications and water, but stressed that regional co-operation in these areas was a prerequisite for further integration.

"In the next five years in the Middle East, with Palestine, Egypt, Jordan, Syria and Lebanon, we may see the building of a common infrastructure. If we do, in the next 10 years or so we can look at the possibility of a common market." Mr Beilin said.

Linking electricity grids is one initiative, crucial for further interdependence, which is under way.

Mr Beilin argued that connecting grids with Egypt and Jordan, and thereby joining existing agreements with Turkey and Iraq, would save Israel $700m per year because of the high costs of the country's gas-fired electricity. He also claims, however, that a regional agreement on electricity could save all participants as much as $4bn each year.

Other developments advocated by Mr Beilin include an open skies policy ending "idiotic restrictions" on air travel which had forced Israel to "live for so many years like an island". Such a liberalisation in the movement of goods and people would, of course, have to be matched on the ground.

The minister pointed out that economic integration in the area would be of benefit to all but easy for none. Vast differences in the numbers of skilled workers in the labour markets, the levels of capital investment and national product between countries would have to be addressed before any common market could be established.

Africa's lenders and borrowers fall out

By Leslie Crawford, Africa Correspondent

The African Development Bank's annual general meeting limped to a close yesterday with two central issues unresolved: the replenishment of the bank's soft loan fund and the adoption of stricter lending rules to stem a haemorrhage of loan losses threatening the very survival of the bank.

African member countries, which own two-thirds of the bank, baulked at proposals that would restrict AfDB loans, which carry market interest rates, to a handful of solvent governments. They asked for more time to consider new creditworthiness guidelines.

"Donor countries should not insist on pre-conditions that would inadvertently deny any category of countries access to the resources of the Bank Group," Nigeria's central bank governor, Paul Ogwuma, told the meeting.

However, Mr Barrie Hudson, leader of the British delegation, said the problem of arrears had arisen "because of the inherent risk of lending on terms that are too hard to countries with low per capita incomes and comparative economic fragility." The AfDB is owed $700m on a disbursed loan portfolio of $8.4bn.

The deadlock on who should be allowed to borrow, and on what terms, led donors countries to suspend negotiations on the replenishment of the African Development Fund, which ran out of money last year.

Mr Hudson urged the AfDB to set an income threshold below which countries could only qualify for concessionary funds. He said the UK would not provide more resources for the African Development Fund until the AfDB acted to improve the quality of its projects, its lending policies and the issue of governance.

Mr Babacar Ndiaye, the bank's Senegalese president, implied that donor countries had antagonised African governors with their "take it or leave it" mentality, but he said he shared the concern of donor countries about the urgency to clear arrears and improving the quality of the bank's loan portfolio.

World Bank cash to help the blind

By Michael Prowse in Washington

The World Bank has approved an innovative $117.8m loan to India to support cataract surgery aimed at restoring sight to more than 8m people by the year 2000.

The loan illustrates a shift in the bank's development strategy towards projects likely to provide tangible benefits for poor and disadvantaged people.

"This loan marks a watershed," said Ms Maria Donoso Clark, manager of the bank's cataract project. Apart from the international effort to eradicate river blindness, a disease cause by parasites, this was the first project supported by a multilateral agency specifically aimed at combatting blindness.

Reducing blindness would provide economic as well as social benefits because 25 per cent of people afflicted by cataracts were aged 45-60 and still productive. However, it was not a project likely to be financed by the private sector, she said.

About a third of an estimated global blind population of 35m live in India. About 13m Indians are blind in both eyes, mainly because of cataracts; a further 10m are blind in one eye. Indians, especially women and members of remote tribal populations, are thought to be especially prone to cataracts as a result of malnutrition and excessive exposure to the sun.

The loan – provided by the International Development Association, the bank's concessional arm – will meet 90 per cent of the cost of an Indian government programme to restore sight by treating a backlog of cataract cases. The project will involve recruiting and training about 360 surgeons and about 1,700 nurses and other support staff.

The project represents one of the largest collaborative ventures between the Indian central and state governments and the voluntary and private sectors. The bank credit will, for example, provide seed money to enable private ophthalmic surgeons to establish practices in poor remote areas and urban slums.

INTERNATIONAL NEWS DIGEST

Zambia seeks to cancel debt

Zambia hopes to cancel $900m of external debt owed to commercial banks through a buy-back scheme financed by the World Bank and bilateral donors, Mr Derek Musonda, Director of Loans and Investment at the Zambian Finance Ministry, said yesterday. Because Zambia's debt paper is traded at a deep discount in the secondary markets, Mr Musonda said a $45m grant put together by the donor community would purchase debt with a nominal value of $900m (including $500m of arrears). "Our intention is to buy back our entire commercial bank debt stock totalling $1bn." Mr Musonda said. "This will reduce our total foreign debt to $5.9bn."

The buy-back will alleviate Zambia's debt-servicing burden, which currently consumes 40 per cent of the country's export earnings. If the former socialist country manages to stick to its structural adjustment programme, Mr Musonda said Zambia hoped to ask the Paris Club of creditor nations to write off a significant portion of the country's bilateral debts next year. Zambia owes the Paris Club about half of the outstanding $5.9bn; the remainder is owed to multilateral institutions such as the World Bank and International Monetary Fund, which do not allow rescheduling or debt forgiveness. *Leslie Crawford, Nairobi*

Spain joins interest cut round

Spain yesterday joined the latest round of European interest cuts, with the central bank lowering its benchmark money rate by a quarter point to 7.50 per cent. It was the fifth reduction by the Bank of Spain since the start of the year when the rate stood at 9 per cent. The move, which brings Spanish interest rates to their lowest level since the mid-1970s, followed the Bundesbank's rate reductions on Wednesday.

Less positive news came with a disappointingly high 0.4 per cent increase in the consumer price index for April, the same as April last year. Accumulated inflation so far this year at 1.8 per cent is already more than half the government's 3.5 per cent target for the whole year. The rate over the last 12 months was 4.9 per cent, fractionally down from 5 per cent in March. However, underlying inflation – leaving out volatile energy and fresh food prices – fell to 0.3 per cent last month, half the rate of April last year, to stand at 4.6 per cent over the 12-month period. *David White, Madrid.*

Danish retail sales pick up

Danish retail sales volume in the first two months of the year rose by 5 per cent compared with the same months in 1993, according to the official Statistical Office. The statistics confirm a recovery of domestic demand long been predicted by the government.

New car registrations in April (they are not included in the retail index) increased by 53 per cent from last year to 13,442 and for the first four months new car sales increased by 63.3 per cent 44,893, the highest level since 1987. Sales of heavy trucks, which is an indication that business investment is recovering, increased by 92.5 per cent to 3,383 in the first four months from last year. The Danish economy has endured seven years with an average GDP growth rate of 1 per cent. The government, which has given a substantial boost, through fiscal policy, to demand this year, predicts a real GDP growth rate of 3 per cent, with private consumption increasing by 4.1 per cent. The government is expected to raise these forecasts in a report due next week. *Hillary Barnes, Copenhagen.*

Rwanda rebel offensive halted

The rebel offensive in Rwanda appeared to have stalled yesterday, despite heavy fighting in the countryside and new reports of ethnic massacres. UN officials said 88 students were found hacked to death on Thursday at a school in Gikongoro in south-west Rwanda, and seven people were killed with machetes in front of the Red Cross building in Kigali.

The fighting between the majority Hutus and minority Tutsis in Rwanda has already claimed 100,000 to 200,000 lives in little more than a month, the UN and aid groups say. Most of the victims have been civilians. The UN Security Council plans to send up to 5,500 African troops to Rwanda to establish safe havens for civilians and assist relief workers. But it was unclear whether the troops would be allowed to use force, how they would be financed and whether an arms embargo would be imposed on the warring parties. *Agencies, Kigali.*

EU considers tourism impact

European Union environment ministers discussed the effect of tourism, one of Europe's most profitable sectors, on the environment at an informal meeting yesterday. "There is a common view that we need to face environment management as a whole in areas under tourist pressure," said Greek deputy minister for the environment Ms Elisavet Papazoi, who is presiding over the two-day meeting.

Santorini, considered by many the most stunning of Greece's Cycladic islands, served as a perfect backdrop for the talks, not only because of its natural beauty but also the evident destruction that masses of travellers have brought to its once quiet town.Ms Papazoi said the main square of Fira, where the meeting will continue today, was a good example of bad catering for tourism, with its profusion of neon lights, electrical wires and traffic congestion. She said she planned to propose Santorini, which also boasts a well preserved ruin of a city dating to 1450 BC, as the site for an EU pilot programme for sustainable developments.

Reuter, Santorini.

Australia defends military aid

Australia's federal government yesterday defended its right to provide additional military assistance to Cambodia, in its struggle with the Khmer Rouge guerrillas, despite reports of displeasure from officials in Thailand. Senator Gareth Evans, the foreign minister,

said it was legitimate for the elected Cambodian goverment to seek assistance from the international community in order to maintain the country's sovereignty and territorial integrity.

Senator Evans said that the request was being seriously considered. Any decision would be taken after consultation with "other interested countries, including Thailand". Australia did not view the security situation in Cambodia as "in any way alarming". "In terms of overall territory held, the situation is not significantly different from when the latest cycle of military acitivity commenced some three months ago. *Nikki Tait, Sydney.*

Ministers to press for U-turn on CrossRail

By Roland Rudd and Charles Batchelor

Ministers plan to send the £2bn CrossRail project for a cross-London rail link back to the four-man private bill committee which recently voted to reject it.

The government believes the only realistic way of reviving the project is to persuade the committee to change its mind.

Officials have all but ruled out the only other options. They are to present a "hybrid" bill – one which involves both public and private interests – to parliament or to use the Transport and Works Act of 1992.

The Department of Transport is already committed to one hybrid bill for the high-speed rail link. It is unlikely to be awarded parliamentary time for a second in November's Queen's Speech.

The use of the Transport and Works Act would involve the sponsors requesting Mr John MacGregor, the transport secretary, to lay an order before parliament.

But because objections are then heard at a public inquiry or inquiries along the route, Whitehall officials believe the process could take at least 10 years to complete.

Ministers have started lobbying two of the three MPs on the private bill committee which rejected CrossRail, as the only realistic way of saving the project.

Only Mr Matthew Banks, Tory member for Southport, supported the bill on the committee.

Government officials are pinning their hopes on persuading Mr John Marek, Labour member for Wrexham, to change his mind. They have taken comfort from the support for the measure given by Mr Frank Dobson, Labour's shadow transport secretary.

Mr Dobson has urged the government to put a motion before the Commons sending the bill back to the committee and instructing them to look at it again.

Mr Ken Purchase, the other Labour MP to oppose the bill, is not expected to reverse his vote. He is understood to be sceptical about the benefits of private finance in public-sector projects such as CrossRail.

Mr Tony Marlow, the committee's Tory chairman, has said he thinks it unlikely that the government would be successful in asking the committee to reconsider its decision. This would require it to show that the committee had not acted according to the proper procedures or that there had been a significant change in the circumstances of the proposal.

The committee was influenced by the decline in travel demand in recent years and by the development of other travel routes such as the Jubilee Line, he said.

The CrossRail project would provide a six-mile east-west link under central London. Commuters could reach their destinations without changing trains.

Treasury snub for PIA upgrade

By Alison Smith

The government yesterday dismissed a suggestion from Sir Gordon Downey, the former chairman of the Personal Investment Authority, that it might become a designated agency accountable directly to the Treasury.

In a strongly-worded statement, the Treasury said there was "no value in pursuing the possibility that the PIA might become a designated agency".

Sir Gordon raised the prospect of putting the PIA on the same footing as the Securities and Investments Board, the City's chief watchdog, as a way of reducing duplication and expense in the regulatory system.

Writing in the Independent newspaper yesterday, Sir Gordon argued that such a move would also help to persuade smaller firms that the PIA would not simply be a "colonial outpost" of SIB.

Last September Sir Gordon was abruptly replaced as PIA chairman by Mr Joe Palmer, former chief executive of Legal & General and a director of SIB.

The Treasury said turning the PIA into a designated agency would delay the introduction of higher standards, create the risk of inconsistency of standards and reduce practitioner input.

"It is certainly not clear how that would help to protect investors," it concluded.

Some of those in favour of the designated agency option have argued that it might appeal to the government because it could be achieved without new legislation.

If the PIA were to become a designated agency, new legislation – which the government has set its face against – would be needed in order, for example, to give it the power to levy fines.

Sir Gordon's suggestion and the response to it come against a background of continuing discontent in the retail financial services industry.

Two-thirds of life companies have applied to join the PIA. But with only about two months to go before it comes into operation, less than half its total potential members – including independent financial advisers and others – have so far applied to join.

The most likely event to spark further applications would be an announcement by SIB confirming its inclination to recognise the PIA as protector of the private investor.

Such a statement might enable some of the larger organisations which have expressed unease about the PIA to support the new regulator, since it would be seen as a stronger guarantee that the new regime would mean higher standards.

450 jobs to be cut at GEC Alsthom

GEC Alsthom, the Franco-British power and transportation equipment group, is cutting 450 UK jobs, Andrew Baxter writes.

It says the restructuring is designed to "meet changing market conditions and combat strong international competition".

The cuts, in the company's power plants and traction businesses, are its biggest since 1991 when it shed 900 jobs and closed its power equipment plant at Larne, Northern Ireland.

The latest retrenchment, along with redeployment, will halve GEC Alsthom's workforce at Trafford Park, Manchester, to 750. But there will be a net gain of 130 jobs at Preston and 180 at Rugby.

GEC Alsthom Traction, which makes propulsion and power supply systems for railway rolling stock, is cutting 220 jobs at Manchester and 130 at Preston, and moving 260 commercial, engineering and administrative workers from Trafford Park to Preston.

Mr Douglas Gadd, chairman of GEC Alsthom in the UK, said rationalisation of propulsion unit production around one plant had been under discussion for some time. The move partly reflected the run up to British Rail privatisation and the resulting "absolute shortage of orders".

Daewoo to launch cars in Europe

Daewoo Motor, the Korean carmaker, is planning to enter the west European car market next year with the launch of its cars in the UK and Ireland.

The company, the third largest vehicle maker in Korea, is establishing a wholly-owned importer-distributor in the UK with the aim of setting up a network of 75 to 100 dealers. They will be recruited this year, with the franchise launched next spring.

The company hopes for a 1 per cent share of the UK new car market by 1998, implying sales of about 20,000 a year.

Mr Leslie Woodcock, formerly managing director of Suzuki GB Cars, has been appointed managing director of Daewoo's UK car operations.

Daewoo Motor was formerly a joint venture with General Motors. Daewoo took over full control in 1992 following several years of policy disagreements, not least over the launch of Daewoo-badged products in important GM markets.

Daewoo plans to launch versions of its Espero and LeMans/Racer family cars, developed from the previous generation Vauxhall Cavalier and Astra models, under co-operation with GM.

Two-tier county systems proposed

The Local Government Commission is proposing that a two-tier system of counties and districts should continue in parts of three counties – Hampshire, Kent and Leicestershire – in conflict with the government's stated preference for all-purpose unitary authorities.

In Hampshire, the favoured option is to make Portsmouth and Southampton unitary, while leaving the two-tier system intact for the rest of the county. In Kent, mergers between Gravesham and Dartford, and between Rochester and Gillingham, would create unitaries with the rest of the county staying two-tier, while in Leicestershire, Rutland and Leicester city would become unitary.

In the other counties covered – Cambridgeshire, Cheshire, Cumbria, Oxfordshire, Berkshire, Lancashire, Buckinghamshire and Bedfordshire – unitary options are preferred, although there is a wide range of structures in each.

The commissioners, chaired by Sir John Banham, made their decisions earlier this week and published them in the Local Government Chronicle yesterday.

London Transport bus companies for sale

	1 Leaside Buses	2 East London	3 London Central	4 Selkent	5 South London	6 London General	7 London United	8 Centre-West	9 Metro-Line	10 London Northern
Annual scheduled mileage:	17 million	21 million	16 million	16 million	13 million	20 million	15 million	16 million	11 million	10 million
Number of employees:	1,800	1,950	1,700	1,400	1,350	2,150	1,480	1,500	1,150	1,100
Number of buses:	510	590	500	390	410	600	430	510	370	320
Turnover (1992-93):	£49m	£59m	£47m	£38m	£40m	[illegible]	£43m	£42m	£38m	[illegible]

Source: Barclays de Zoete Wedd

Bidders queue up to buy capital's buses

By Charles Batchelor, Transport Correspondent

Several dozen bidders, including a number from overseas, have made offers to buy one or more of the 10 companies that run London's red buses, it emerged yesterday.

With many of the bidders making offers for all 10 companies, the number of individual bids runs into the hundreds.

Barclays de Zoete Wedd, financial adviser to London Transport Buses, was yesterday sifting through the indicative bids which were filed by the Thursday noon deadline. It will draw up a shortlist of organisations that will be asked to make a final bid by early September.

The London bus companies, which have a combined turnover of more than £440m and pre-tax profits of about £20m, are due to be privatised by the end of the year.

Bids have come in from all the large UK bus companies, the management teams of London's 10 bus companies and bidders in South Africa, France and Sweden. There have also been bids from "a number of companies you would not necessarily expect," BZW said.

Stagecoach, the quoted Perth-based company, said it had bid for all the companies though it expected the popular ones to fetch high prices. Mr Derek Scott, finance director, said he was not surprised at the high degree of interest because of the worldwide image of London's red buses.

"Nobody has been put off by the government's decision to defer the de-regulation of London's buses," said Mr Clive Hodson, managing director of London Transport Buses and the man in charge of privatisation. De-regulation would increase competition on many bus routes.

The organisations may bid for as many bus companies as they like, but they would not be allowed to acquire operations accounting for more than 25 per cent of the market. This means they would be able to acquire at most three of the smallest companies or two of the larger ones. They would also not be permitted to acquire neighbouring bus companies.

Successful bidders will be expected to provide acceptable pension arrangements for staff of the former bus companies, Mr Hodson said.

London represents the final stage in the privatisation of Britain's bus services.

Fife Scottish Omnibuses, part of the Stagecoach bus group, has given undertakings about its future good conduct after an Office of Fair Trading investigation found it had tried to remove a competitor from the market.

The OFT found in March that Fife Scottish had acted in a predatory and anti-competitive fashion against subsidised services operated by Moffat and Williamson for Fife Regional Council.

Fife Scottish has given pledges not to increase fares by more than the rate of inflation on the routes that were investigated and not to reduce the frequency of services. It will also not introduce new services in competition with those subsidised by its rivals.

Stagecoach's active acquisition policy has led to frequent OFT investigations though it has been cleared in 16 of the 18 cases. It has, however, been required to give undertakings after mergers with bus companies in Lancaster and Sussex.

Voluntary pact curbs tobacco advertising

By Ivor Owen and Diane Summers

New restrictions on tobacco advertising were announced yesterday by the government as a back bench bill to ban all tobacco advertising failed to complete its passage through the Commons.

The restrictions, which form part of a five-year voluntary agreement between the government and tobacco manufacturers, will mean larger health warnings, fewer posters, and the removal of all permanent shopfront advertising for tobacco products by the end of 1996.

The bill, which had been proposed by Mr Kevin Barron, Labour MP for Rother Valley, was opposed by the government, and yesterday ran out of time at the report stage after Conservative MPs tabled amendments.

Mr Tom Sackville, junior health minister, said the new voluntary rules would mean an end to the use of humour likely to appeal to the young, and the removal of poster advertising from within a 200-metre radius of school entrances.

The Tobacco Manufacturers Association said yesterday it had agreed "with the utmost reluctance" to the new restrictions and was "dismayed and disappointed" by the "attack on the industry's marketing freedoms".

The Advertising Association, the umbrella group which has been co-ordinating opposition to the bill, said it was relieved that a complete ban did not get through. It was "extremely disappointed", however, that further restrictions had been placed on advertising in spite of there being "no evidence of a link between advertising and total market consumption" of tobacco products.

Action on Smoking and Health, the anti-smoking campaign group, claimed a "moral victory" and said it would back amendments to other bills, "in the same way that the seat-belts legislation was introduced", to bring in a ban on tobacco advertising.

Malaysian row over Thames Water talks

By Kieran Cooke in Kuala Lumpur and Bronwen Maddox

Thames Water has become embroiled in a political row in Malaysia, as the country continues its ban on awarding government contracts to British companies.

Mr Anwar Ibrahim, Malaysia's deputy prime minister, has criticised the local government in the north Malaysian state of Kelantan because he says its leaders had awarded a water supply contract to Thames. Mr Anwar accused the local authority of defying government policy.

The Kelantan government says it awarded the contract to Thames at the end of last month.

The Malaysian government imposed its ban on British companies in February in retaliation for critical comments about the Malaysian leadership that appeared in the British press.

Mr Mike Hoffman, group chief executive of Thames, has denied that any such contract has yet been awarded.

In London, Mr Hoffman said that Thames had been "working very hard" to win the water distribution contract in Kelantan but a final decision had not yet been made.

"We are up against a lot of international competition, but I would suspect that we have got to the point where we are in the lead," said Mr Hoffman.

The reason for the confusion is not clear. Kelantan is the only state in the Malaysian federation not controlled by the governing national front coalition headed by Dr Mahathir Mohammed, the prime minister.

In recent months the authorities in Kelantan and the federal government in Kuala Lumpur have been involved in a number of bitter arguments.

A number of British companies are believed to have lost multi-million pound contracts as a result of the ban. Malaysia has given no indication as to when the ban will be lifted.

The man who might be Labour's JFK

The party seems to be turning to Tony Blair, says **Philip Stephens**

Mr Tony Blair was saying nothing yesterday about the leadership of the Labour party. As the shock of Mr John Smith's death continued to reverberate around the corridors of Westminster, callers to his office were told politely but firmly that the shadow home secretary was in mourning. Neither he nor those around him wanted to talk about the future at the moment.

His silence did not quell the speculation. The outcome of the leadership contest which will follow Mr Smith's death will be uncertain for some time yet. But all logic dictates Mr Blair should and will stand.

Amid the genuine grief there is a strengthening perception in the party at Westminster that the 41-year-old MP for Sedgefield is the natural successor to Mr Smith. He is 14 years younger. He displays more of the impatience of youth than the calculated caution which guided Mr Smith's leadership of his party. But Mr Blair shares many of the qualities of Labour's lost leader.

Some comparisons are superficial. Mr Blair is English rather than Scottish, but he was born and went to school in Edinburgh. He is middle-class. He is a barrister. Real resemblances run deeper. Mr Blair, like Mr Smith, is a politician at ease with himself. His family life provides an important connection with the real world. His outlook rests on a bedrock of beliefs which have never distinguished between social cohesion and opportunities for the individual; between economic prosperity and social justice.

He has frequently been derided by some on the left of his party as a product of the "soundbite" politics of the 1980s, but – again like Mr Smith – he sees no contradiction between passion and moderation.

His case is that Labour, as it did in 1945 and 1963, must lead the tide of ideas if it is to return to government. Above all it must eschew the comfortable politics of delusion which have kept it out of office for 15 years.

Mr Blair is determined that the Labour party must change. But he is equally adamant that change does not mean abandonment of past principles. As he put it in one of the many speeches and newspaper articles through which he has sought to build a new ideological framework for Labour: "Reform is not about betraying principles but about rescuing them from the past."

In other words you do not have to sign up to old-style collectivism, to state ownership, or to punitive income tax rates to promote the fundamental goal of the Labour party – offering opportunity to the broad mass of the people.

Mr Blair's views are not unique. They are shared by his close ally and friend Mr Gordon Brown. The shadow chancellor is also a formidable candidate for the leadership.

But while Mr Brown has been bogged down in trench warfare with union leaders in his attempts to construct a credible economic strategy, Mr Blair has found the room in his present post to translate principles into policies.

Ashley Ashwood

Tony Blair: feared by his Tory opponents; respected by his enemies on the left of the Labour party

His startling success in fashioning a surprisingly tough stance on crime owes much to his more fundamental emphasis on partnership between the individual and the community. Society as a whole has an obligation to prevent and deter crime. But the individual cannot escape responsibility for his or her actions. The soundbite – tough on crime, tough on the causes of crime – is more than a clever slogan.

He adopted a similar approach in his dealings with the unions as shadow employment secretary before the 1992 general election. To the fury of many in the union movement – something which will count against him now – he argued that Labour's commitment should be to the rights of individual workers' rather than to the political muscle of the Trades Union Congress.

Voters like such sentiments – particularly when they are delivered by a young, personable and articulate politician. It is hard to find anyone at Westminster who does not believe that Mr Blair would be the leader most likely to win back the support of the middle classes in southern England.

Mr Blair is confident in his convictions. Mr Neil Kinnock, the former Labour leader, regards him as one of the bravest politicians of his generation. He is feared by his Conservative opponents. His opponents on the Labour left at Westminster respect him as well as disagree with him.

Mr Kenneth Clarke, the chancellor, regards him as the toughest Labour spokesman he has faced across the Commons despatch box. Privately, cabinet colleagues admit that he is the choice they fear most as leader.

If Mr Blair wins the Labour leadership the Conservatives will deride him for his youthful inexperience. But what will frighten them is that he might emerge as the Jack Kennedy of British politics.

Voting rules for leadership fight to be clarified

By Robert Taylor, Labour Correspondent

The Labour party will elect its next leader by single transferable vote after taking advice from its solicitors following the confusion which arose over interpretation of rules passed by last year's annual conference.

Rule 2(c) states that a candidate must receive half of the votes cast in the election in order to win. If this does not happen on the first ballot, "further ballots shall be held on an elimination basis".

This could have been interpreted as meaning the party would have to hold a series of ballots and go back to the electorate involved each time.

The party's lawyers have recommended to the ruling National Executive Committee that this can be interpreted to cover ballot voting with electors giving preferences among more than two candidates under the STV – or preferential voting – system.

The NEC is expected to decide on when to hold the leadership election when it meets on 25 May.

The choice is between going ahead quickly, with the result announced at a special one-day conference by the end of July, or waiting until the party's annual conference in early October.

Voting will be in three sections, with each section accounting for a third of the total vote – the 4.5m union members who pay a political levy; the 250,000 or so individual members of the party; and Labour MPs and MEPs.

Under Labour rules, the union members must not be "members or supporters of any other party or otherwise ineligible to be members of the Labour party".

The party's rules make clear that voting will "take place under the procedures of each affiliated organisation" on the basis of "one person one vote". Most unions are expected to use individual postal ballots of levy-paying members.

They have to do this already by law when they hold ballots to secure the approval of all their members for having political funds.

Unions must also hold postal ballots of their members for the election of their leaders and executive committees as well as before organising industrial disruption.

Union leaders will no longer, as in the past, wield block votes in the election, but are likely to express their views and candidates can be expected to campaign around the union conference circuit over the next few weeks.

The big difference with any other previous election for Labour leader is that the candidates will be able to appeal not just to small groups of activists, or the paid-up party members but to millions of ordinary people who do not belong to any political party – but pay the political levy to their union.

Sinn Féin spells out its queries

By Tim Coone in Dublin and David Owen

Hopes of a breakthrough in the UK-Irish peace initiative rose yesterday after Sinn Féin, the IRA's political wing, responded to calls to spell out which parts of the Downing Street declaration it wants clarified.

The Irish government forwarded to London a list of questions drawn up by Sinn Féin focusing on the declaration's treatment of self-determination, the so-called unionist "veto" and Britain's long-term intentions in the province.

The move constitutes a potentially significant climbdown by Sinn Féin, which had previously insisted on face-to-face meetings with government officials to discuss its reservations.

London is expected to reply to the questions next week.

Sir Patrick Mayhew, Northern Ireland secretary, said last night in a statement that the government would publish Sinn Féin's text together with its own "comments". This would take place "within a matter of days once we have had an opportunity to give them proper consideration".

It will raise hopes that republican leaders may be edging closer to declaring an end to their 25-year armed campaign, paving the way for Sinn Féin to enter the political talks process.

London has emphasised repeatedly that Sinn Féin's demand for clarification had never been made specific since to do so would "attract ridicule and scorn".

But Sir Patrick hinted last month to a US congressional committee that he would consider responding to specific queries.

Unionists reacted cautiously to yesterday's development.

Mr David Trimble, Ulster Unionist MP for Upper Bann, said Sir Patrick should send the questions back "with the envelope unopened". Dublin had "persuaded the Provos to do this to keep the British on the hook".

Sinn Féin's move came after Sir Patrick had used a speech in Dublin to try to inject fresh urgency into the search for a lasting political settlement, saying an early end to direct rule in Ulster was needed.

In a carefully balanced address, the Northern Ireland secretary said there was a clear role for "new structures" to develop the relationship between the two parts of the island "purposefully and profitably".

This meant certain assumptions would have to be made on the shape of democratic institutions in Northern Ireland but there was no need for these to impinge on sovereignty.

He said London and Dublin were looking for a "new and more broadly based" Anglo-Irish Agreement to replace the document agreed in 1985 that gave Dublin a say in Ulster affairs for the first time.

Reaching a new agreement would mean "all of us being prepared to embrace new ideas, new institutional structures and imaginative approaches to constitutional and human rights issues".

King loses claim on market domain

By John Authers

King James I was yesterday overthrown by the Corporation of London.

At issue was the ownership of Smithfield Market, and the corporation's battle for the site was won after meticulous poring over historical documents.

In 1613, King James I disputed the corporation's claim to ownership of the market, which stands on what is now prime land for developers, adjoining St Bartholomew's Hospital in the City of London.

The Court of Appeal judges had to review some ageing documents. The first royal charter granting Smithfield to the City was signed by Henry VI in 1444. It was regranted to the City by Henry VII in another charter of 1505.

According to the City, the crown showed no ambitions on the site, which it had owned "since time immemorial", until James I claimed ownership.

This dispute led to a compromise under James's successor, Charles I. The precise meaning of this charter, granted in 1638, which was meant to clarify the position, has been at issue.

According to the City: "The crown's claim was that that charter established the crown's ownership, and the corporation's right to certain uses of the land."

But the City claimed that the compromise upheld the corporation's ownership of the freehold.

Yesterday's ruling against James I upheld a 1992 High Court judgment that the City owns the freehold, although it is restricted to using the land either for a meat market or for open space.

The Crown Estates commissioners, which brought the case on behalf of the crown, were required to pay legal costs for the City, which are estimated at about £50,000.

As a result the City retains its hold on the public gardens immediately to the south of the market, plus a segment of the market itself whose ownership was also under dispute.

The crown did not apply for leave to appeal to the House of Lords yesterday, but the Crown Estates said this option had not been ruled out. Solicitors are reading the judgment "in detail" and an announcement is likely on Monday.

The City claimed there were insufficient grounds to appeal to the Lords.

Speculation over the future of the market has rekindled the dispute in the past few decades. Proposals to move it to a different site were mooted in the 1970s. More recently, some market traders have claimed they cannot pay the rents the City will charge to fund refurbishment to conform to European Union hygiene regulations.

Faced with the chance that the land would be made available for redevelopment, the crown revived its interest.

The City said: "The majority of the land will continue as a public space, so in practical terms it makes no difference, but it's reassuring to have this dispute settled after 381 years."

■ Scottish Tories told of EU's importance ■ Speakers call for end to disunity

Cabinet reshuffle may be postponed

By Philip Stephens and James Buxton

Senior Conservatives said yesterday that Mr John Major may now postpone his planned cabinet reshuffle as the government re-assesses its political strategy after the death of John Smith.

The suggestion came amid hardening opinion on the Tory back benches that the pending Labour leadership struggle has removed any immediate threat to Mr Major's leadership after next month's European elections.

Some cabinet ministers also suggested that the risk of an autumn challenge had also evaporated, but critics insisted Mr Major's future beyond the summer depended on the government retaining its grip.

There was speculation also that if Labour chose Mr Tony Blair, the shadow home secretary, as its new leader, the prime minister could come under renewed pressure. Mr Blair is regarded by the Conservatives as potentially the most dangerous of the opposition leadership contenders.

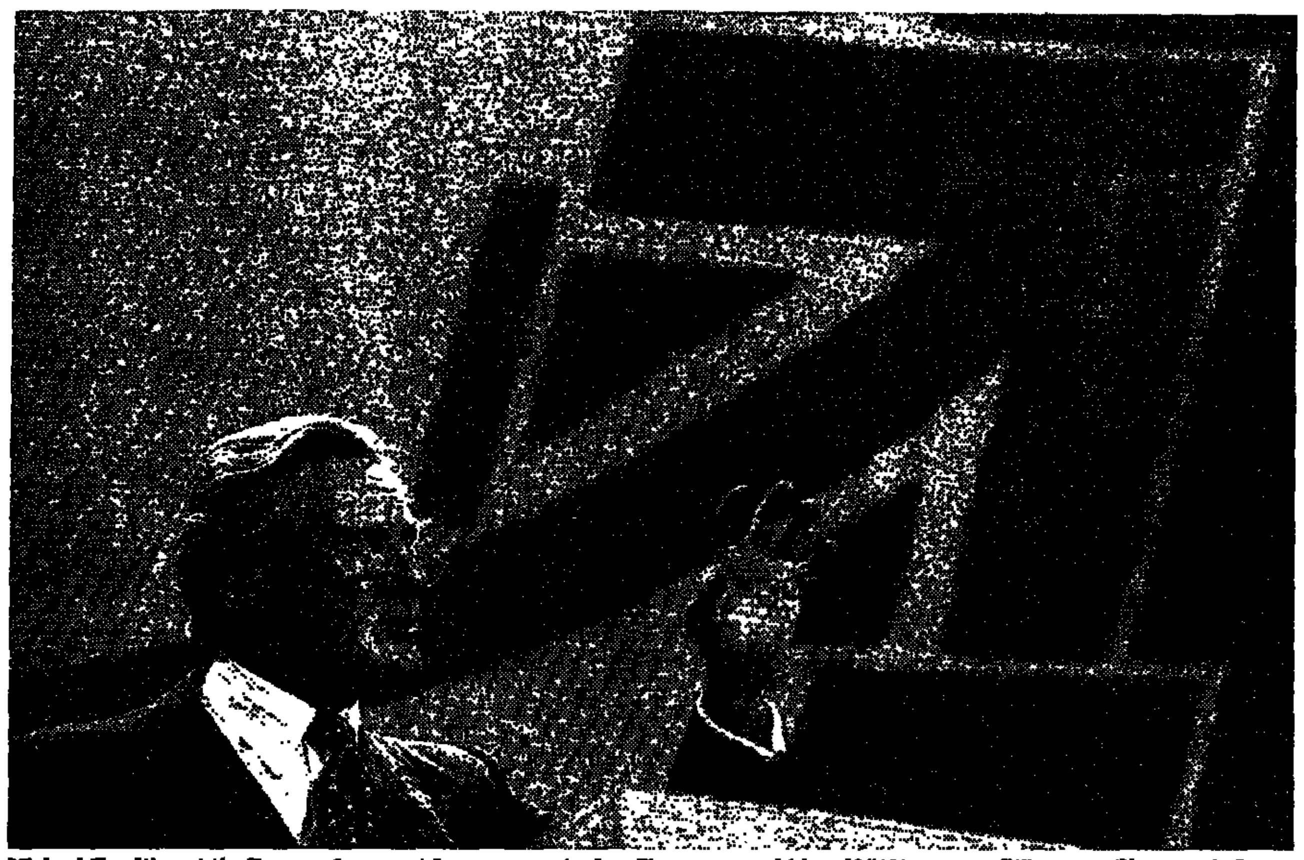
Colleagues suggested that there would now be no purpose in Mr Major reshuffling his cabinet immediately after the June 9 European poll.

Instead the prime minister would be likely to wait until the second half of July – or perhaps until September – so that he could assess the impact of Labour's leadership decision.

The transformation in the outlook created by Mr Smith's death also brought renewed talk that Mr Michael Heseltine, the trade and industry secretary, might be persuaded to take on the role of Conservative party chairman.

Mr Heseltine, who suffered a minor heart attack last year, pronounced himself yesterday "100 per cent fit". But Mr Heseltine's own leadership ambitions have been dented by the manner of Mr Smith's death. One suggestion is that Mr Heseltine might share the chairmanship with Lord Archer.

Speaking in Inverness at the Scottish Conservative conference, Mr Heseltine gave strong backing to Mr Major. He told activists that the Tories were "the one party that will take the courageous and difficult decisions". He added: "The prime minister has proved time and time again that he is willing to do that, and I am certain that his party will back him and his government through thick and thin."



Michael Heseltine at the Tory conference at Inverness yesterday. He pronounced himself "100 per cent fit" *Photograph: Reuter*

Major seeks long-term judgment

By James Buxton, Scottish Correspondent

Mr John Major last night used the truce in British politics to appeal for more time and ask that his government be judged over the full five-year term of its mandate, which he intended to complete.

He also used it to try to heal differences in the Conservative party on the European Union by arguing that Britain needed to be there to ensure that the EU made the right decisions on its future.

In a warmly received speech to Scottish Conservatives – which was stripped of party-political point-scoring because of the death of John Smith – the prime minister urged politicians to abandon the negative approach to politics.

"Sometimes I feel that there is too much knocking, too much carping, too much sneering. Too much setting up of Aunt Sally against Aunt Sally," he said.

"Being negative can be an addictive drug... But like any drug it corrodes and destroys the body in which it exists. And one body which it runs the risk of corrupting is the body politic itself."

He said the government was not yet halfway through the five-year mandate it had won from more than 14m people "and I intend to complete it. And then I shall say: judge me on my whole term of office. All of it. You can't judge a house when only the foundations are laid."

The government wanted to complete the agenda that he set out last October at the party conference in Blackpool – the priorities were to achieve a stable economy, combat crime and raise standards in schools.

Mr Major said inflation had been brought down and keeping it down would remain the cornerstone of economic policy. Crime was being tackled with new legislation, and teacher training was the last part of the education reform programme.

Mr Major warned Europe that "unless it makes the right choices about policy today – unless it adopts free-market policies and believes in them – Europe won't be up there in the next century with the US, Japan and China."

That was why Britain must play its full part. But he acknowledged that the issue touched deep nerves in British politics. "For too long Europe has been the poison in the well of British politics."

It was important to remember the economic realities, he said. British business depended on Europe. More than half the UK's exports went to Europe and Britain needed to be in the EU if it wanted to attract investors.

Hunt gives pledge on jobless

By James Buxton

The government is determined that long-term unemployment should never be a way of life for those who fail to obtain work, Mr David Hunt, the employment secretary, told Scottish Tories yesterday.

Mr Hunt said the government planned to offer those unemployed for more than a year the options of training schemes, work experience, further education and subsidised jobs.

He said a pilot scheme called Workstart in north Norfolk, under which employers received £60 a week to employ long-term jobless people, was achieving success. "The benefits system must never be allowed to subsidise the black economy," he said.

It was there to "support those who, through no fault of their own, are without work. I cannot accept or tolerate unemployment as a way of life."

Mr Hunt was addressing the final day of the Scottish Conservative party conference in Inverness. On Thursday the conference was suspended as a mark of respect to John Smith and yesterday's session was subdued.

Speakers were forced to rewrite their speeches to exclude attacks on the Labour party. They instead made jibes against the Scottish National party and the Liberal Democrats.

Mr Michael Heseltine, trade and industry secretary, did not attack any party and spoke largely on economic issues.

Sir Michael Hirst, Scottish Conservative party chairman, warned dissident MPs at Westminster that attacks on the government or the prime minister caused severe damage to election campaigns.

"When MPs pop up on Westminster Green to have their moment of publicity sticking the knife into the government or the prime minister, I only wish they realised what damage they do to us," he said.

"They ought to remember that disunited parties find themselves in the electoral wilderness."

He acknowledged that people in Scotland who had deserted the party in last week's local elections – the Conservatives came fourth with 14 per cent of the vote – were unhappy about "the effects of recession, tax increases, VAT on fuel, aspects of local government reform and our proposals for water and sewerage".

Bank move hits engine maker

By Andrew Baxter

Emdair, a small company which has developed a potentially world-beating lightweight diesel engine, is facing collapse because, it says, its bank has reduced its overdraft.

The company, formed in 1984 from the former Weslake engine group, recently completed the first trials of the diesel engine.

Mr Michael Daniel, Emdair's managing director, said the engine was being developed as an alternative to conventional diesels in auxiliary power units on tanks and other military equipment. "We regard the engine as a major breakthrough in world diesel technology," he said.

Last month the company, based in Rye, East Sussex, received the final £45,000 instalment from Australian-based Collins Motor Corporation, on a £50,000 order to supply the first engine.

The £45,000 was paid into Emdair's bank, the Croydon branch of Clydesdale Bank. Mr Daniel said the bank promptly reduced the company's overdraft limit from £125,000, which Emdair had been exceeding by £5,000, to £85,000.

Mr Daniel was incensed at the decision. "We wanted to use the £45,000 to pay the Inland Revenue and other creditors, and retain our facility at £125,000 so that we could develop the company," he said. The overdraft has since risen to £100,000.

Mr Daniel said the company had an order book sufficient to maintain the existing workforce of 19. But without the ability to buy critical raw materials and specialised services its ability to continue trading was threatened.

Mrs Jacqui Lait, Conservative MP for Hastings and Rye, has written to Lord Nickson, Clydesdale's chairman, asking him to review the bank's position urgently and help Emdair through its current difficulties. She has also written to Mr Kenneth Clarke, the chancellor, about the case.

Glasgow-based Clydesdale Bank said last night it could not comment because of customer confidentiality.

Emdair, which also produces conventional light-aircraft engines, is 40 per cent owned by Collins. The latest four-cylinder 1.7-litre diesel engine evolved from a petrol engine developed by Emdair for the Australian company.

It is based on the so-called "scotch yoke" principle that involves two exactly opposed horizontal cylinders to balance the engine forces. The system was first used on steam-driven water pumps.

National Savings receipts decrease

National Savings' contribution to government coffers fell again last month, Scheherazade Daneshkhu writes.

The contribution was a net £373m, with accrued interest accounting for another £181m. March's receipts were £481m plus accrued interest of £116m, which themselves were a fall on February's £617m plus £158m.

Figures for April from building societies and unit trusts – National Savings' keenest competitors – have not yet been released but societies have been fighting a steady net outflow of funds since November.

The new-found fondness by private investors for equity investment against a background of low interest rates helped sales of unit trusts to a record month in March.

National Savings aimed to increase its intake and to assuage the fears of the elderly, who are dependent on their savings, by launching the Pensioners Bond in January.

The bond pays an annual fixed rate of 7 per cent gross for five years. It was the best-selling National Savings product in March and April. April's contribution was £236m.

Premium Bonds were the next best-selling product last month at £176m. Since February, sales have been boosted by the first £1m prize draw. That took place last month.

Total gross sales of all National Savings products in April amounted to £1.09bn with repayments of £721m.

Liffe said to be probing misconduct

The London International Financial Futures Exchange is believed to be investigating a case of misconduct by one of its members.

Liffe had no comment on the matter but it is thought to involve an independent trader who was carrying out business on behalf of J.P. Morgan, the US investment bank. The bank also declined to comment.

Although banks are members of Liffe, they sometimes execute orders through independent traders if they want anonymity.

Sources said the trader was reported to Liffe's market supervisory division after he was seen "acting inappropriately" in the Italian government bond futures pit.

The trader was thought to be "front-running" – executing his own order before his client's and thereby taking advantage of the price movement caused by the execution of a large order. However, J.P. Morgan's clients were protected at all times, sources said.

Bank to auction convertible bond

The Bank of England plans to auction a short-dated UK government bond on May 25 that will be convertible into a long-dated gilt – the first time it has issued such a convertible stock since 1987.

With a convertible gilt, investors have the option of converting the issue into a specified alternative stock on set dates and at specified terms of conversion. This gives investors the chance to participate in more than one area of the gilt market.

The Bank said the short-dated issue will be convertible into a long-dated conventional stock. It will release details of the auction size and the maturity of the stocks on May 17.

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Power plan wins initial approval

The government has given the go-ahead in principle to the National Grid Company's £200m plan to install 50 miles of 400kv powerlines through Cleveland and scenic North Yorkshire countryside.

The proposal triggered 7,000 objections and opposition from seven local planning authorities. There was a six-month public inquiry in 1992.

The plan will mean building more than 200 pylons, each about 140ft high.

Ex-Telegraph building 'sold'

Franklin Mint, a direct marketing company, is believed to be buying the former headquarters of the Daily Telegraph in the London Docklands for about £4m.

The 104,000 sq ft building was sold by the Telegraph to Olympia & York in July 1990.

Telegraph results, Page 10

Euro-candidates confront a proportion of controversy

First-past-the-post rules and poor voter turnout are the hallmarks of British elections to Strasbourg, **David Butler** says

John Smith's death has thrown into turmoil all the parties' plans for the first week of the European election campaign. But the battle will still turn more on John Major's leadership than on any European issue. Between Thursday June 9 and Sunday June 12 voters in the 12 countries of the European Union will choose 567 MEPs to go to Strasbourg. Britain will have 87 MEP's.

The political composition of the European parliament depends to a remarkable extent on British voters. Great Britain (though not Northern Ireland) alone votes first-past-the-post instead of proportionally; the winner in votes gets a disproportionate majority in seats.

In 1979 the Conservatives secured 62 seats to Labour's 17. In 1989 Labour won 45 seats to the Tories' 32. If there had been proportional representation the Conservatives' lead in 1979 would have been 22, not 45. In 1989 the Labour lead would have been four not 15.

If, as some suggest, the Conservatives suffer a Canadian-style wipe-out next month, the effect could give the left a net majority at Strasbourg 60 or 70 greater than it would have been if Britain had adopted proportional representation.

If the Tories are embarrassed by the outcome they will be able to air low participation as an excuse. Britain has been consistently bottom of the turnout league. On average 33 per cent have voted, less that half the level for Westminster and well below the norm in local council elections.

Voters can behave unexpectedly. In 1989 the Greens jumped from an opinion-poll level of 3 per cent three months earlier to 15 per cent in the ballot box, pushing the Liberal Democrats into fourth place in every constituency except Cornwall. Six months later, their support had evaporated.

This year the Liberal Democrats seem set to mop up much of the protest vote – and there is plenty of protest vote about. The local election figures and the opinion polls suggest that there is not a single seat that is safe for the Conservatives.

In a three-cornered race, 34 per cent of the vote is needed to win, even if the other two contestants are evenly divided (which is most unlikely). North Yorkshire seems to be the only seat north of Birmingham where there is a serious chance of a Conservative victory, but even in the south there is no safe seat. There are only three constituencies where a swing at the level of the local elections last week would leave the Conservatives with 40 per cent of the vote, and in each of these the Liberal Democrats are the stronger challenger.

On the basis of local election results last week it was calculated that Labour would get 56 seats, the Liberal Democrats 14 and the Conservatives 12. The ICM poll in The Guardian earlier this week suggested that the Conservatives would get only 27 per cent of the vote in the European election. Its findings could be projected to 57 seats for Labour, 15 for the Conservatives and nine for the Liberal Democrats.

Some would say that both projections are too optimistic for the Conservatives. With no council tax at stake their erstwhile supporters may be tempted to a more vehement protest vote, or protest abstention, while the Liberal Democrats may gain even more from tactical voting by Labour.

The fate of Mr Graham Mather, the Conservative candidate in Hampshire North and Oxford, will turn on whether Labour voters in Oxford East realise that their only hope of defeating the Conservatives lies in voting Liberal Democrat. Similarly, Dr Caroline Jackson's survival as the Conservative MEP for Wiltshire depends on whether Swindon voters stay loyal to Labour.

On the other hand, it can be argued, as the ICM poll suggests, that the Liberal Democrats will get only 24 per cent in the European election. It may be that their pavement politics cannot be so effective in a European contest.

The author is a fellow of Nuffield College, Oxford.

A record total of 552 candidates is to stand in the UK constituencies for the European parliament.

The Greens and the three main parties are to fight all the constituencies in Great Britain. But candidates of the Natural Law party, which represents followers of the Maharishi Mahesh Yogi, are standing in every UK constituency – making the party the first to fight every seat, either for Europe or Westminster. The Tories have just one candidate in Northern Ireland where three MEPs are elected by proportional representation.

Boundary changes have created six more UK seats and left only 17 of the present seats in England and Wales unchanged. The eight in Scotland and three in Northern Ireland are unaffected.

The Scottish National party is fighting all the Scottish seats and Plaid Cymru all five in Wales. The Liberal party, which includes those who chose not to join the Liberal Democrats, has 17 candidates. Well-known names nominated include former health minister Mrs Edwina Currie at Bedfordshire and Milton Keynes.

Ms Pauline Green, who leads Labour's European parliament group, is fighting for her marginal London North seat on unchanged boundaries. But Tory leader Sir Christopher Prout has been favoured by alterations leaving him with an apparently safer Herefordshire and Shropshire seat.

The election is on June 9, but counting will not start until the night of June 12 when polling ends in all European Union countries.

European parliament elections: how the Tories have faded

	MEPs				% of Vote (GB)			
	Con	Lab	LibD	others	Con	Lab	LibD	others
1979	62	17	-	4	51	31	13	5
1984	45	32	-	4	41	37	20	2
1989	32	45	-	4	35	40	6	19
1994*	12	56	14	5	27	41	27	5

*Projection from voting in this month's council elections

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European recovery

Economic recovery in western Europe is well under way. The UK is in the van, after eight quarters of growth, and output is at last back at pre-recession levels. But others are catching up. This week's surprise reduction in the German discount rate, to 4.5 per cent, leaves room for more cuts in money market rates of interest. While continental rates may have further to fall, UK interest rates may well have reached the bottom of their cycle.

By 1995, economic growth in Germany, France and Italy may also have overtaken that in the UK, as the European Commission predicted this week. This is by no means bad news for the UK. Higher taxes will reduce domestic consumer demand. Largely for this reason, the Commission forecasts that UK economic growth will slow from 2.5 per cent this year to 2.3 per cent in 1995. The UK will have to rely on demand abroad, for which a strong continental recovery will be essential.

Unfortunately, that recovery is not very strong. In France, for example, gross domestic product has grown slowly since its trough in the first quarter of 1993 and is still 1.6 per cent below its peak in the first quarter of 1992. After falling by 0.8 per cent in 1993, it is forecast by the government to grow only 1.4 per cent this year. But recent evidence suggests it may do somewhat better than that. Manufacturing output has risen in each of the last four months. The number of non-farm employees rose in the first three months of 1994, this being the first quarterly rise since 1990.

There was a slight rise in the annual rate of inflation, to 1.7 per cent, in April. But it remains very low, while monetary policy is still restrictive, because the Bank of France continues to align its monetary policy closely on that of Germany. This has meant lowering its intervention rate in line with reductions in Germany's repurchase (or "repo" rate), even though economic conditions in France warrant more rapid reductions.

Clear trend

Although the continental recovery may not be strong, the trend is clear. The same is true of interest rates. In the US – and the UK – these are on their way upwards, or at least on the turn, while continental rates are still falling. The latter are likely to go below those in the UK quite soon.

The latest cuts in interest rates should accelerate the continental recovery, though slowly, since monetary policy affects demand after a substantial delay. Its effect can be felt more quickly via the exchange rate. But this will not be important for Germany, which does a high proportion of its trade with countries that tie their exchange rates to the D-Mark.

The US economic recovery, now in its fourth year, is further ahead than the British, which is why interest rates have already been increased, to head off inflation. The Federal funds rate now stands at 3¾ per cent. A further rise seems imminent, despite an unexpected decline in producer prices in April. If German monetary policy is loosened further, the Bundesbank's discount rate could fall below the US Federal funds rate later this year. This relative movement in national interest rates should also help correct the US dollar's current weakness, although this will depend on other factors, including the longer-term credibility of US monetary policy.

Improved prospects

The Bundesbank's latest reduction in lending rates is bound to improve the prospects for recovery throughout Europe. Many of its neighbours, notably France, desperately need this assistance. There is a question, however, about whether the move was justified by domestic German monetary conditions. It is not often that the Bundesbank's anti-inflation credibility is brought into question. But it is cutting rates deeply, despite continued rapid growth in the broad money supply (M3), which grew at an annualised seasonally adjusted rate of 15.4 per cent between the last quarter of 1993 and March. This is hugely above its 1994 target range of 4 to 6 per cent.

The Bundesbank argues that the cut was justified by the domestic outlook for inflation, currently 3.1 per cent in west Germany. It also argues that the change should help reduce monetary growth, by encouraging investors to move funds from bank deposits into long-term funds. These arguments may well be right, but they also conflict with its traditional monetarism.

Whether the Bundesbank is mistaken will not be known for some years. The immediate prospect for European economies is now fairly bright. They look set to enjoy a period of growth with relatively low inflation. This is, of course, good news.

But unemployment remains disturbingly high. In the UK, even after two years of recovery, there are still 2.72m people out of work, 9.7 per cent of the workforce. In France the rate is higher still, as is true for Germany as a whole, though not west Germany. Renewed growth is welcome. It must not be used as an excuse for taking Europe's structural economic problems off the agenda.

Shirley Williams says the European elections will be a vital step in redefining UK politics after John Smith's death

An opportunity to end adversity

The Labour party sometimes seems to be dogged by misfortune.

In 1963, on the edge of a breakthrough into government after 13 years in the desert, Labour lost its great leader Hugh Gaitskell. In 1974 the second Wilson government took office just after the huge increase in oil prices; Labour then went out of office just as oil was beginning to bring in millions of pounds of additional revenue from the North Sea, a God-given bonus now largely dissipated.

Now, at the moment it is once again poised to return to office, it has lost another remarkable leader, one who built on the foundation Neil Kinnock laid: aiming to recreate Labour as a potential party of government.

For there is an antibody at work in the body politic, a suspicion of the Labour party that is based not just on memories of the 1979 winter of discontent, but on perception of Labour as interventionist, obsolete, and union-dominated. The perception is not altogether fair. But it is extraordinarily persistent.

John Smith's qualities, of prudence, common sense, seriousness, experience and integrity, over and above his remarkable gifts as a parliamentarian, went a long way to reassure people that Labour had put its wild ways behind it.

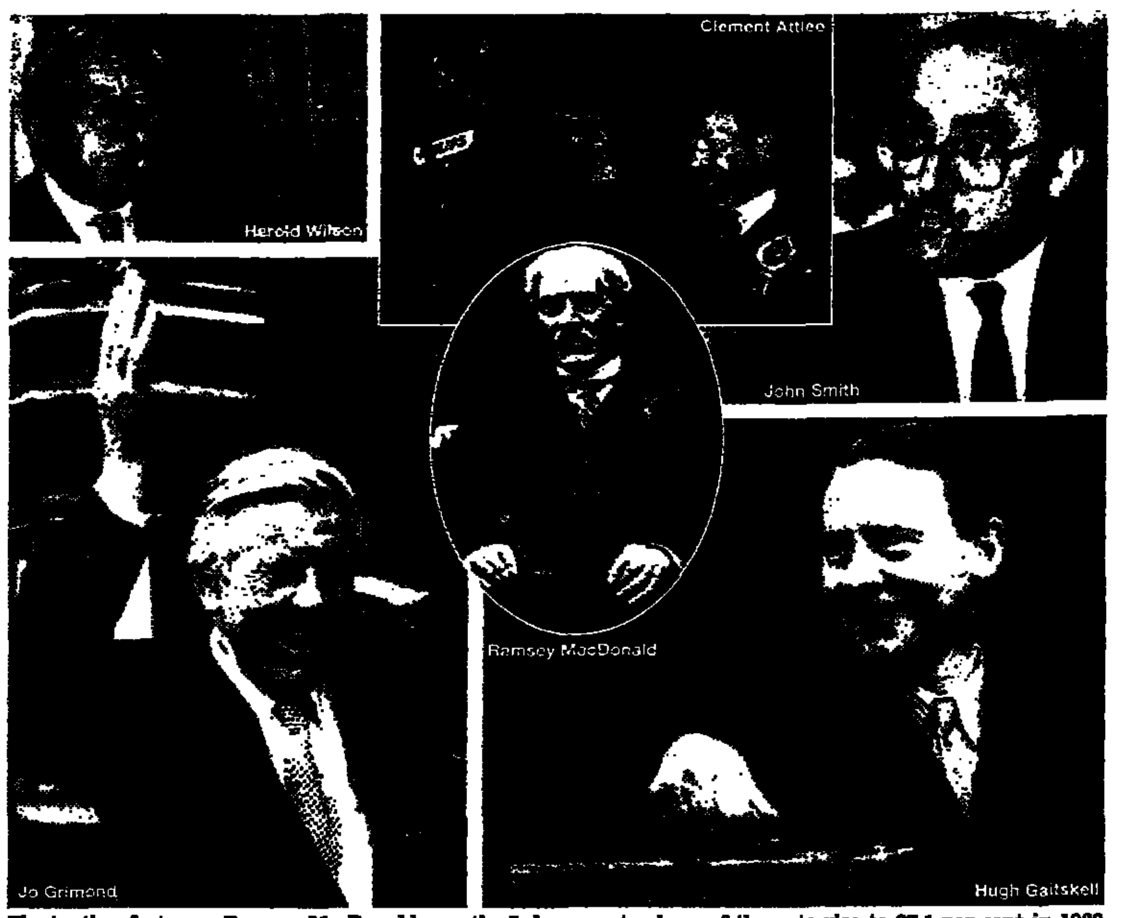
It was the need to show that the party had changed fundamentally that led John Smith to risk so much on getting a form of one member, one vote through the 1993 Labour Party Conference. A cautious politician, he understood that more was at stake from not attempting the reform than from failing to win it.

But John Smith's legacy is not just to his party. It is to his country also. At a time when the government and the Conservative party are in near-terminal disarray on Europe, he provided an example of steady commitment to Britain's European future. He was never a fanatic; but he understood, through all the ups and downs of Britain's stormy relationship with the European Community, that there was no other way to go, that Britain's economic future depended upon our membership. From his vote for entry in 1971 against a three-line whip, a very brave act for an aspiring and ambitious young politician, John Smith never wavered.

He was a devolutionist, a man who understood that harnessing the energies of the countries and regions of Britain would stimulate enterprise and innovation, that Westminster and Whitehall needed to be open to new ideas from beyond their own tight and incestuous circle. His roots deep in Scotland, and in the Labour culture of Strathclyde, fed that strong sense of regional autonomy.

The former Labour leader saw how local government is being eroded by the authoritarianism of central government, and he deplored it. He could, however, never bring himself to support proportional representation for local elections, even though that would almost certainly have ended the domination of certain local councils by the "loony left" – or, for that matter, the loony right.

John Smith was a man who believed in the ethos of public service. Nothing exemplified that better than the concluding words of his last speech, the day before he died. His sense of public service ran much deeper than words in speeches. Again, at a time when the tradition of public service and of civic integrity seems to have been relegated to history, abandoned even by some of those charged with upholding it as the evidence to the Scott inquiry shows, John Smith's example deserves to be honoured and followed.



Fluctuating fortunes: Ramsay MacDonald saw the Labour party share of the vote rise to 37.1 per cent in 1929. Under Clement Attlee in 1945 it reached 47.8 per cent. When Harold Wilson first became prime minister in 1964 it was 44.1 per cent. The Liberal decline had appeared terminal in 1951 when the party won only 2.5 per cent. Under the leadership of Jo Grimond, however, it began to pick and the recovery may not have stopped

The genuine response of grief at his death seems to demonstrate a hunger for more substantial and more constructive politics, for an end to the media frenzy over sexual and financial scandals, and to the political behaviour that feeds it.

John Smith's many qualities went a long way to reassure people that Labour had put its wild ways behind it

In choosing his successor, the Labour party will make a fateful choice. It will choose its political strategy up to and beyond the next general election. It will close or open doors to co-operation with other parties in areas where Labour cannot command a majority.

John Smith believed the Labour party could win a majority at a general election; or, at least, he behaved as if he believed that. Yet the local government results on May 5 cast further doubt on the validity of that belief. While an apparent triumph for Labour, the truth of the matter is that the only winners were the Liberal Democrats and the Scottish Nationalists.

As The Economist pointed out this week, in England it was not Labour that picked up disillusioned Tory voters, a further 5 per cent drop on the Conservative party's already low share of the vote in 1990. It was the Liberal Democrats. And it was in the Tory heartlands that the largest proportion of previous Tory voters defected to the Liberal Democrats.

Whatever the opinion polls show, Labour finds it difficult to get above a 40 per cent share of the real vote. It has not done so at a general election even once since 1979. Furthermore, its position is slowly eroding, not so much because of marginal losses as a result of boundary changes, but because demography and industrial organisation work against it. Ours is an ageing society; it is also one in which the manufacturing industry and the public services on which trades unionism depended are losing jobs to an individualistic and fragmented private service sector.

In consequence, Britain is becoming a three-party country, four in Scotland; or more accurately, a country in which two parties contend in particular constituencies and regions, but not the same two parties. It is the Liberal Democrats who are now the main opposition party in the south and west, Labour in the north and in London, though even that is beginning to change.

Given that neither national opposition party may win an overall majority, and given too the need for an effective and convincing challenge to a government that has run out of time, ideas and morale, how should we proceed?

The most important issue of all for the country's future is the role we will play in the European Union

Some advocate an electoral pact, but any such pact would be passionately opposed by many in both of the main opposition parties. Nor is it clear that party headquarters could make their local parties adhere to any such pact. Many disillusioned Tories would find such a pact reason for not voting at all.

What is needed instead is to build habits of co-operation, to move Britain away from the politics of confrontation to at least some element of consensus on the country's most important goals.

In the effort to save local government as an important and valuable part of the body politic, that is already happening. Up and down the country, especially in the shire counties, Liberal Democrats and Labour, sometimes Liberal Democrats and Conservatives, and even in a few places Labour and Conservative, are working together. On local government reorganisation, a very large part of the Conservative party finds itself closer to the other parties than to its own government. In a recent debate on the Local Government Commission in the House of Lords, only the ministers, one backbench Conservative peer and three Labour peers spoke up for official policy. Every other Conservative, Independent, Liberal Democrat and cross-bench peer spoke on the other side.

The most important issue of all for the country's future is the role we will play in the European Union. The shape of that Union will be profoundly affected by the two enlargements now envisaged, for Austria and the Scandinavians, and beyond that for the Visegrad group of central and east European countries. It will also be affected by the Inter-Governmental Conference of 1996 which will determine the institutional changes needed to cope with those enlargements.

Britain has a significant interest in the outcome of the IGC, but the truth of the matter is that little constructive input is likely from a deeply riven government. One senior German official said to me at a conference earlier this week: "From London, we get nothing."

Yet Britain has much to contribute to the IGC. Among politicians of all parties who believe in Britain's continued membership of the Union, there is a concern to build a stronger democratic base, to involve national parliaments more closely, to make subsidiarity meaningful, and to open up the deliberations of the Council of Ministers so that governments cannot evade responsibility for their decisions. Indeed, the attack on "the faceless bureaucrats of Brussels" is often a diversion from the unaccountable actions of ministers, including our own.

The European elections are likely to produce for the first time a group of Liberal Democrat MEPs, and probably a number of additional Labour members. On these MEPs, and on re-elected MEPs, some of whom have made a distinguished contribution to the European Parliament, will fall the responsibility to consult, discuss and formulate, together with their parties at home, proposals for the IGC.

These will not be official proposals, but constructive ideas from British opposition parties – and indeed from European-minded Conservative MEPs – are likely to be heard by other governments in the Union, and perhaps even by our own. Britain's contribution must not be allowed to go by default.

The issues now at the heart of British politics are too important to be left to a weak and discredited government. John Smith cared about issues in politics that mattered. His successor will, if he or she is wise, be able to do something about them.

The author is a former Labour education secretary

MAN IN THE NEWS: ***Garry and Galen Weston***

Brothers in a bun fight

Like latter-day Roman emperors, two brothers run the halves of a sprawling food business which has brought their family considerable wealth – estimated to run into billions of pounds, but largely owned by charitable foundations.

Garry Weston, 67, tall and somewhat shambling, resembles a wise, old family doctor, complete with ill-trimmed moustache and understanding manner. Galen Weston, 53, is also silver haired and tall, but he is dapper, a friend of princes, and a renowned polo player.

As Garry says in his quiet, understated fashion: "Our personalities are rather different. He has done his thing, I've done mine."

This week, Garry announced plans to reorganise the shareholdings owned by his family and a charity in Associated British Foods for tax-planning purposes. While some observers saw this as a loosening of the family's grip on the business, Garry says he is determined that the dynasty will retain control.

The Westons' is a remarkable saga. Cockney William Weston, born in 1820, emigrated to Toronto, where his son George was born in 1865. After founding a baking business he died young, leaving his son Willard Garfield, known as Garfield, born in 1898, to take over.

Garfield, who lived until 1978, fathered nine children, three of them boys, and set out, he said, "to build a business that would never know completion". 'Growth forever' could have been his motto.

He moved to the UK and went on an acquisition spree. In 1935 he took his Allied Bakeries company public, later changing its name to ABF. As his health began to fail, he called on two of his sons to take over the business. In 1967 he asked Garry, who had set up an Australian subsidiary, to run ABF, the "eastern" empire, covering the UK and Europe, South Africa, Australia and New Zealand.

Some years later, Galen, who had been running the Irish business and married an Irish model, was persuaded to go "home" to head the North American empire.

Since then, the paths of the two brothers have seldom crossed, even though each is on the other's board. Garry is currently angry about an article in this month's issue of the magazine Vanity Fair. It contains "a lot of free chat about my father I don't agree with at all", he says. His irritation is directed at Galen, who was interviewed for the story and whose Florida beach resort is the focus of attention.

The article suggests that Garfield groomed his sons to take over the business. "A piece of stupidity," says Garry. "Apart from the opportunity of a good education, I received no training at all. At 23, I was given the opportunity to take charge of a small company making a not very well-known brand, Ryvita. I taught myself to run the business."

He is clearly proud of turning the crispbread into a household name and also of inventing and naming Wagon Wheel chocolate biscuits.

Garry thinks he has inherited some of his father's "ideals and most of his motivation. Apart from that I am not temperamentally like him. I've not got the charisma he had." Galen is like their father "in some ways", says Garry. "He acts more like an owner than a manager. He is restless like my father."

Garry says he is more like his elder brother, Grainger, who left the business years ago and became a Texas rancher.

When he was summoned home from Australia to chair ABF, the Sunblest bread and Twining teas group, Garry found a business with a rambling structure, low profits and more than 180 people reporting directly to his father, who by then spent only half his time in the UK.

Garry pulled the business into shape, selling subsidiaries at a premium, and eventually buying British Sugar for £880m in 1991. The ABF group, worth £91m when he became chairman, is now valued at £2.6bn.

When Galen took over the North American company he found a similar mess. According to Vanity Fair, he performed a "textbook turnaround" of a business in a state of near bankruptcy and "whipped that chaotic collection of more than 200 companies and subsidiaries into a sensible, streamlined organisation".

Garry is less generous. "He has recruited some very good executives and leaves them in charge. That leaves him a lot of time for his social life," he says. Garry, something of a loner, puts family first.

The North American company, George Weston, controls the Loblaw supermarket chain and has interests in cyclical industries such as paper. It is majority-owned by Galen and another charity and, according to Garry, has performed badly for the past three years. "The company's shape is very much like it was 20 years ago. There has not been a sell-off or a British Sugar," he adds.

While the two emperors run their separate domains, they face a common problem: the succession. Garry has six children, three of each sex. The sons – Guy, George and Garth – all work in ABF, the youngest as a management trainee where, says Garry, "there are a lot of opportunities for bright young men and my sons will have to compete with them". Two of his daughters work for Fortnum & Mason, the Piccadilly department store also owned by the family.

Will the next chairman of AB Foods be a Weston? "That's a long way off, I hope," says Garry, and adds: "There are a lot of able people in the company." Whoever chairs the business, though, he expects the family to retain its shareholding.

As for Galen's half of the empire, it is too early to say whether his son or daughter, both born in 1972 and still in full-time education, will follow him into the business. But even if they do, the division between the two sides of the family can only grow wider.

Maggie Urry

Showdown over French skies

John Ridding and **Paul Betts** say the clash between British airlines and the Paris government tests Europe's policy of deregulating air travel

Mr Andrew Gray, managing director of Air UK, is exasperated: "I can't believe in this day and age it will come to pistols at dawn."

But as his airline, along with British Airways and BA's French affiliate TAT, prepares to defy the French government and launch services on Monday between London and Orly Airport in Paris, a showdown seems hard to avoid.

"It is an absolute test case," says one airline executive. "If the French are allowed to win, the European Commission's plans for airline deregulation mean little", he adds, as UK and French government officials were yesterday attempting to resolve the dispute.

The row has erupted since Wednesday when Mr Bernard Bosson, the French transport minister, declared that UK carriers could not start flying to Orly on Monday despite last month's ruling by the Commission that the French government must open the airport to competition immediately.

The dispute goes to the heart of European efforts during the past three years to liberalise air transport and create a deregulated single European aviation market. Apart from provoking fresh strains between two of the European Union's biggest partners, it has brought to the fore the wide gulf in approach to airline deregulation adopted by different EU countries.

It has highlighted the split between the liberal camp – countries such as the UK, the Netherlands and increasingly Germany – and the more interventionist member states led by France and including Italy, Spain, Greece, Portugal and Belgium. The latter group opposes US-style free-for-all airline competition and is pressing for a controlled process of deregulation.

The immediate issue in what is being described as "the Battle for Orly" is access to French domestic routes and France's readiness to liberalise its airline market in line with Europe's "open skies" policies. The stakes are high, and tempers have become frayed. The UK government has placed its "full backing" behind the UK carriers.

Mr Bosson claims the French government remains committed to opening Orly to more competition, but he said UK flights could not start until a number of problems have been resolved. These include the implementation of measures to ease congestion at Orly and improved access to London's Heathrow airport for French airlines. The French transport ministry believes these problems can be resolved "within a matter of weeks", and says it does not understand the "strong-arm tactics" being employed by the British carriers.

The demand that services to Orly be delayed, however, has prompted a strong reaction. "The French authorities have no right to prevent us from flying to Orly," says Mr David Holmes, BA's head of government affairs. He argues that Air France already has open access to Heathrow and operates more flights to the London airport from the other Paris airport of Charles de Gaulle than BA itself.

The high emotions reflect the importance of the issue. For UK airlines, flights from London to Orly would provide a strong foothold into the lucrative domestic French market. Orly, in southern Paris, also provides better connections to internal French flights than does Charles de Gaulle.

"Flying to Orly would strengthen our competitive position against the Channel tunnel," Mr Holmes says. "We believe that Orly will prove more popular than Charles de Gaulle," adds Mr Gray, whose Air UK airline wants to serve Orly from London's Stansted airport.

For UK carriers the Orly dispute is also a broader test case for the liberalisation of the French airline market. In addition to its ruling on Orly, the Commission ordered France to open the Orly-Marseilles and Orly-Toulouse routes to competition within six months. These are among the busiest routes in Europe and are currently operated as a monopoly by the French domestic carrier Air Inter, part of the Air France group. From 1997, according to the Commission, all routes within France and other EU member countries must be liberalised.

This all adds up to a dilemma for the French government, which is faced with conflicting pressures. The Commission has linked approval of a FFr20bn capital injection for Air France to progress in opening up the domestic French air transport market to competition. The capital increase, to take place over three years, is the centre piece of a rescue plan for Air France, which last year incurred losses of *FFr8.5bn.*

The French state airline's capital increase proposal has already antagonised Air France's big European airline competitors – not only BA but also Lufthansa of Germany – which are campaigning in Brussels against the continuing use of state subsidies to bail out loss-making national flag carriers.

"The artificial maintenance of state-funded airlines continues to provide the biggest obstacle to the development of a truly free, deregulated market," says Sir Michael Bishop, chairman of British Midland Airways, the second largest UK scheduled carrier which also plans to start services from Heathrow to Orly later this year.

Many French consumers also favour deregulation. "Of course I want more competition," says the director of a French company. "When I travel to Britain there is usually a choice of airlines."

But these incentives to deregulate the French market are countered by other factors. Unions at Air Inter oppose liberalisation. "We will not be the sacrifice for Commission approval of Air France's rescue package," says an official of the Confédération Générale du Travail, one of the airline's largest unions. The unions have called a strike on Tuesday to demand that competition be introduced only in "progressive steps". Air Inter is also reluctant to lose its monopoly on some of its most profitable routes having lost FFr257m last year.

The dilemma is clearly felt by Mr Bosson. "I am accused of being an ultra-liberal by the unions and an ultra-protectionist by Brussels," he complained last month.

But there is a deeper resistance to the process of deregulation in France inherited from the country's *dirigiste* economic tradition. "The EU is not simply a zone of free trade, having for its only value the laws of the market," Mr Bosson said in response to the so-called "wise men's" report on airline deregulation published last year. The report called for full liberalisation of European routes by 1997. "The EU must also include a social vision, the values of regional development and public service, which are ignored by considerations of profitability," he argued.

The result of these conflicting interests has been an attempt to play for time and fight for every step in the battle for deregulation. In addition to the delays announced on Wednesday, Paris is appealing to the European Court of Justice about the procedures used in the decision to liberalise the Toulouse and Marseilles routes.

However, the need to secure the FFr20bn capital increase for Air France is likely to be the priority. "After the strikes of last October which forced the climbdown by the Balladur government, Air France has become a powerful political symbol," said one airline consultant in Paris. "They cannot afford a refusal of the capital increase."

To assist the process of liberalisation, opposition from Air Inter may be reduced by a reorganisation of its relationship with Air France, a prospect that was raised by Mr Bosson in an address to the National Assembly on Wednesday. The reorganisation seems designed to satisfy Air Inter's long-standing demands for a more autonomous management from its parent.

Placating Air Inter will, however, take time. And with BA and Air UK planning to touch down in Orly on Monday, time is something that the French authorities do not have. As one UK airline executive put it: "The French government has pushed itself in a corner; the moment of truth is due to arrive on the 6.50 flight from London."

Quentin Peel and **Alison Maitland** examine the dispute over British beef exports to Germany

Facts fall victim to the butcher's knife

The sign pasted up over the meat counter in the Stüssgen supermarket in a Bonn suburb this week said it all.

"Buying meat is a matter of trust," it declared. "We sell only German quality beef."

To any German consumer, the message is clear: it means there is no British beef on the counter. For in the minds of most German consumers in recent weeks, the words British beef have become synonymous with a fear of human infection with "mad cow disease" – bovine spongiform encephalopathy (BSE).

The Bonn butcher was relaxed enough: "I've been getting questions from my customers all right, wanting to know where the beef was from. But since we have had the sign up, I think they have been reassured. They know we only sell fresh local meat."

Lydia Van Der Meer

For Germans, the words 'British beef' have become synonymous with a fear of human infection

Yet statistics for all beef sales in Germany in recent weeks suggest otherwise. The German wholesale meat traders' association claimed yesterday there had been "a dramatic slump in sales". The butchers' federation in Frankfurt said the decline was at least 5 per cent in the past few weeks, since Mr Horst Seehofer, the health minister, first suggested that a selective ban on British beef imports was needed to protect the public against the threat of BSE.

The row threatens to blow up into a serious confrontation, not just between Britain and Germany, but also between Germany and the rest of the European Union. The European Commission has until now accepted that Britain has done enough to control BSE, and prevent any danger of its spreading to other member states. It is considering tougher enforcement, but nothing so drastic as an import ban. Yet that is what Germany is threatening to enact unilaterally if there is no compromise agreed by agriculture ministers by May 30.

The battle over BSE looks like becoming a classic reconfirmation of national prejudices in Britain and Germany: the former complaining of German fanaticism and high-handedness, the latter of sloppy British standards in vital areas of public health and environmental awareness.

Yet the experts on both sides are far more divided than the battle-lines suggest. In Germany, the farmers' union has sharply criticised Mr Seehofer for threatening to go it alone in his battle with Brussels. They fear that the backlash will hit far more important interests – like their campaign for more money from Brussels for German farmers who have been forced to slaughter some 800,000 pigs because of swine fever in the past six months.

There is also a widespread recognition that German consumers are notoriously prone to overreaction in anything concerning food health – an overreaction compounded when politicians get involved.

On the other hand, in Britain there are a number of scientists who would support the German health minister in his contention that as long as there is the slightest possibility that BSE might cause human infection, the strictest possible controls should be enforced.

In spite of the BSE scare, total British beef exports rose 51 per cent last year to £407m, which the British Meat and Livestock Commission attributes to successful marketing and the devaluation of sterling. Some £355m of that went to the EU, with France by far the largest importer – to the tune of £189m – and Germany the smallest, taking only 900 tonnes, worth £2.6m.

The British government says the German debate has not only hit beef exports – they totalled 2,000 tonnes to Germany in 1992 – but lamb and pork sales as well. But the real British concern is the domestic beef market, which earned British farmers £1.85bn last year.

Experts on both sides are far more divided than the battle-lines suggest

German observers are quick to point out the irony of the situation. "I am amazed that even while there are thousands of animals still being slaughtered in the UK because of BSE, the British consumer does not appear to be concerned," said Mr Richard Brücker, head of the livestock section in the German farmers' union (DBV). "Yet here in Germany, where we really don't have the problem at all, the consumers are all up in arms. It's quite contradictory."

The BSE scare in Germany is only the latest in a string of food health scares.

One of the most startling was the thread worm crisis which threatened to devastate the German fish market in 1987: a single television programme suggesting that fresh fish contained live worms when they got to the fishmonger's slab caused a dramatic slump in consumption. Per capita, the level dropped from 13.2 kg in 1986 to 11.8 kg in 1987, as panic spread through the fish-buying public.

"There was an hysterical outcry to begin with," said Mr Matthias Keller, chief executive of the Hamburg-based fishing industry association. "But the consumers listened to reason in the end." That was not until the European Commission, the German government, and the industry had launched a big and costly public relations exercise.

Another good example of Germany's special sensitivity was over the fall-out from Chernobyl. Watercress growing along the German bank of the river Rhine was torn up and destroyed. The same plant on the French bank was cheerfully harvested and sold – some of it to Germany.

BSE looks to be another case where Germany is determined to be stricter than all its neighbouring states. Mr Brücker blames politicians in general, and Mr Seehofer in particular.

"He has set himself up as the great consumer's protector," he said. "But he is risking his neck in this confrontation with the Brussels Commission."

If Mr Seehofer is under attack on his home front, Mrs Gillian Shephard and the British Agriculture Ministry are also open to criticism.

Dr Stephen Dealler, a microbiologist at York District Hospital who has researched BSE, says the Germans are right to want to take action to protect their consumers.

"If you sit and wait, you're taking a risk of unknown proportions," he said. "The Germans are saying 'We're not going to take this risk, it's too high.' They're right."

Scientific tests on other animal species and his own calculations, based on agriculture ministry and other scientific data, suggested the risk that BSE could cross the "species barrier" from cows to humans was high, he said.

Cattle become infected when very young but the incubation period is four to seven years, he said. The risk of infection grows as the incubation period advances. "For every cow we're slaughtering with the disease, we're eating five to six others while they're incubating it but showing no signs of it," he added.

Now it is up to the EU agriculture ministers to find a compromise. They will be hard put to do so. For the real difference between Britain and Germany is not about scientific evidence. It is about different public perceptions of what constitutes a food danger to health. It is a question of culture, not of fact.

Old versus new

Robert Graham on relations between Italy's president and prime minister

If looks tell all, the glum face of President Oscar Luigi Scalfaro this week said a lot about his relations with Italy's new government headed by media magnate turned politician Silvio Berlusconi.

The president, usually courteous to the point of unctuousness, could have smiled when he swore in Mr Berlusconi as Italy's 53rd post-war premier. But the atmosphere between the two men was icy.

Mr Berlusconi did his best to ignore the stand-off by beaming with pride as his mandate was formally confirmed. As a result the occasion appeared like a pupil collecting top prize from a stern head-master who still doubted whether the prize was deserved.

Subsequently both sides have gone to great lengths to create the impression they get along famously. "My relations with the president are very cordial (cordialissimi)," Mr Berlusconi insisted.

Yet suspicious journalists immediately saw the superlative as so glowing as to be barbed. Surely, they asked in their columns yesterday, this was a classic instance of a person meaning the opposite of what was said?

This is an unpropitious start for an inexperienced government (23 of the 25 strong cabinet are ministerial novices) and a prime minister who is an unknown quantity as a politician having only resigned executive duties at his Fininvest media empire in January. The impression of two leaders not seeing eye to eye was fuelled by the disclosure of the contents of a letter President Scalfaro sent to Mr Berlusconi.

Dispatched on Monday while Mr Berlusconi was in the throes of forming his cabinet list, President Scalfaro curtly reminded him of his responsibilities. Behind the formal language the president in effect warned Mr Berlusconi that Italians needed reassurances about the nature of the government given that it was going to contain the federalist Northern League and neo-fascists who draw their roots from Mussolini's corporatist state.

The move was unprecedented for an Italian head of state and pushed his role as guarantor of the constitution, to the limits. In private the president had also stressed the need for Mr Berlusconi to avoid a conflict of interest with his business empire. The president was instrumental in blocking the tycoon's lawyer, Mr Cesare Previti, from occupying the justice ministry.

Relations between the 75 year-old head of state and Mr Berlusconi do not pose the same problems as the Mitterrand/Balladur "cohabitation" in France as the Italian presidency has no executive functions. But a good working relationship between the two is important for the stability of the government.

If relations deteriorate, Mr Berlusconi will be under pressure from his allies in the populist Northern League and the neo-fascist MSI/National Alliance to force President Scalfaro's resignation. Both parties have lobbies who say he should be removed because he represents the Italy they are battling to change in the new "second republic".

The Italian president has heavily circumscribed powers under the post-War constitution drawn up with the aim of avoiding too much power in any one person's hands. The head of state is not directly elected but chosen by parliament for a seven year term. He can dissolve parliament and nominate the prime minister.

But parliament can only be dissolved if it agrees – that is when a government falls or has obviously exhausted its mandate. The power to chose the prime minister depends on the will of the electorate as expressed through the ballot box. The president's authority therefore depends upon his political feel and the extent to which his integrity allows him to exercise moral suasion in private or via public opinion.

President Scalfaro, a former Christian Democrat interior minister and one of the country's longest serving parliamentarians, was elected in 1992 as a compromise candidate. He was chosen in a deal between the then dominant Christian Democrats and the Socialists. Other candidates were rendered ineligible by corruption scandals.

In difficult circumstances, President Scalfaro has presided with dignity and had considerable influence over the tumultuous transition of the past two years. He played a major part in nominating Mr Giuliano Amato as Socialist premier in 1992 and then turning to the non-political Mr Carlo Azeglio Ciampi, former central Bank governor, as the parliamentary coalition backing the government began to collapse in 1993. He can also take credit for encouraging electoral reform that led to the appearance of Mr Berlusconi's Forza Italia.

However, in the transition process Mr Scalfaro has been tainted by accusations from top former members of the intelligence services, now on trial for alleged corruption. They claim that as interior minister he knew about the abuse of secret funds. Even if no more than scurrilous defamation, the accusations identify President Scalfaro with a political system Italy has voted to change.

There is thus a danger that any conflict between the presidency and the Berlusconi government will develop into a battle between the old and the new. Such a confrontation may only be avoided if more extreme elements in the League and the MSI decide to focus political energies on other priorities – such as creating jobs and deregulating an over-regulated economy.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Basic research vital to aeronautics' future

From Professor Keith Hayward.

Sir, I refer to Emma Tucker's article, "The drift towards managed trade" in your Exporter supplement (May 5). The Department of Trade and Industry has certainly given its backing to the National Technology Acquisition Plan for the British aerospace industry. What it, or rather the government, has not done is provide adequate funding for basic aeronautical research.

Over the last three years, the annual budget allocation under the DTI's civil aeronautics research programme has fallen by nearly £8m. Admittedly, plans for the next two years show a slight rise to about £22.7m a year, but this includes substantial payments to the European Transonic Windtunnel project. Even so, in the view of those who compiled the National Technology Acquisition Plan, £22m will be inadequate to sustain the UK aerospace technology base into the next century.

Money invested in basic research is not a question of trying to pick individual "winners"; it is an investment in an entire industry. Aeronautical R&D at this level will also have an impact on other high-technology industries. But even if the benefits were exclusive to the aerospace sector, they would underpin an export potential well into the next century.

Ministers proudly point to the current performance of British aerospace companies, but without investment over the long haul, this could be the last flash of flame before the match goes out.

Keith Hayward,
Staffordshire University,
School of Social Sciences,
College Road,
Stoke-on-Trent

Real disabled issues in danger of being lost in political storm

From Reverend Michael Shaw.

Sir, The Nicholas Scott debacle ("Labour clamours for minister's resignation", May 11) puts us all in danger of throwing out the baby with the bathwater. Not for the first time, the real issues surrounding disabled people appear to have been lost as the political storm gathers momentum. Disabled people and their practical, day-to-day needs appear to have been pushed back into the shadows.

Back to basics is not a fashionable concept. However, getting down to the nitty-gritty of ensuring that disabled people emerge from the civil rights wilderness in which they find themselves is something virtually everyone can begin to tackle: from seeing the person, not just the wheelchair, through to providing sensible and accessible housing, wheelchair-friendly public buildings and streets, decent public transport and appropriate work opportunities.

The law must be changed. But in the absence of sound political thinking and sensible legislation, let us see some positive actions from the planners, architects and employers who really can make the difference.

Michael Shaw,
executive director,
John Grooms Association for Disabled People,
10 Gloucester Drive,
Finsbury Park, London N4

It is quality that counts

From Mr E P Armitage.

Sir, Your headline "Students spurn accountancy jobs" (May 6) reflects neither the content of the story nor the reality of the intake into the accountancy profession.

While it is correct that the total intake has fallen, reflecting lower demand among accountancy firms during the recession, a recent survey by Graduate Appointments showed accountancy as the most popular choice of careers among graduates.

The high calibre of those seeking training contracts is reflected by the record 74 per cent of graduate entrants last year with first and upper second degrees, and the increase from 467 to 491 in those from Oxbridge.

For this year, the figure has increased again – to 78 per cent – while firms report continuing high interest for top graduates for places this September.

It was the supply of places available, not student demand, which had fallen.

The institute's finances are not threatened as you suggest because the high quality of graduates going through training is ensuring that the numbers qualifying and subsequently joining the institute are keeping the total membership on a rising trend.

E P Armitage,
director, education and training,
Institute of Chartered Accountants in England and Wales,
Chartered Accountants Hall,
Moorgate Place,
London EC2

Punishment to fit the crime?

From Mr Michael Hull.

Sir, In your article, "Sums don't add up" (May 13), on declining numbers at independent schools mention is made of an ex-Eton Head's "over-enthusiastic use of capital punishment". Maybe parents are right to head for the state sector!

Michael Hull
22 Farm Road,
Frimley,
Surrey GU16

Way ahead on CrossRail

From Mr Jeremy Bayliss.

Sir, Your report that Mr Steven Norris, transport minister for London, said that the CrossRail project is not dead ("CrossRail rejection leaves BR plans in disarray", May 11) is to be welcomed. If the government is going to bring the project forward in another way, it must do so with the same urgency and resolve which has given us the Channel tunnel.

While London will suffer if this much needed project is dropped, for it to be held in abeyance with continuing uncertainty will prolong blight for the occupiers and owners of property across central London, extending from beyond Paddington in the west to Liverpool Street in the east.

Decisive action must now be taken either to bring the scheme forwards in another way or, if this is not to be done, to remove the blight which has now affected this part of London for almost three years, by removing the safeguarding of the route. Alternatively, the government should change the compensation code to enable residents and businesses to receive compensation for their true losses.

Jeremy Bayliss,
chairman, infrastructure market panel,
Royal Institution of Chartered Surveyors,
12 Great George Street,
London SW1P 3AD

Age not a bar on directorships

From Mr Roland Shaw.

Sir, In your article about the appointment of Sir Michael Palliser to the board of the Exploration Company of Louisiana (People, May 10), you said that given his age (72) "there is some surprise that he is taking on additional directorships".

May I remind you that Sir Michael, incidentally my contemporary, is 20 years younger than the late Dr Armand Hammer was when he stepped down as chief executive of Occidental.

Roland Shaw,
Premier Consolidated Oilfields,
23 Lower Belgrave Street,
London SW1

Lasmo rejects 'second class' bid

By Robert Corzine and Peggy Hollinger

Lasmo, the independent exploration and production company, yesterday unveiled its formal defence against the £1.5bn all-paper bid launched last month by fellow explorer Enterprise Oil.

Mr Rudolph Agnew, chairman, called on shareholders to reject the bid, describing it as "an extraordinarily complicated and second class offer".

The all-paper offer is for 27 Enterprise A shares and 12 warrants for every 80 Lasmo shares. The unusual equity structure has been criticised by some institutional investors, who are believed to be keen for a cash offer.

Mr Agnew yesterday said he would "not ask shareholders to reject a fully valued bid", adding that his only duty was to "get every penny he can for shareholders".

Enterprise Oil is believed to be considering a range of options for introducing a cash element. These are thought to include a mechanism for shareholders to receive cash for the warrant portion of the offer.

Enterprise is believed to have looked at the possibility of securing a group of specialised investors to underwrite the warrants, which would allow it to provide a cash sweetener to Lasmo shareholders.

The company has repeatedly said it would prefer not to offer cash. However, Mr Andrew Shilston, finance director, said yesterday that "there is absolutely no technical reason why ... one should not underwrite the warrants".

But he refused to say whether Enterprise was seriously considering such a move. "It is not a strategy we are considering over and above any others," he said.

Mr Graham Hearne, chairman and chief executive, said Enterprise would retain flexibility but, "we are committed to the offer we have made".

Lasmo's defence document emphasised management changes within the company and highlighted its shift in strategic direction which should reduce the company's vulnerability to low oil prices.

It dismissed Enterprise's charges that Lasmo did not have the financial strength to take advantage of all its development opportunities.

Trevor Humphries

The Lasmo management team: Richard Smernoff (left), finance director, with Joe Darby (centre), and Rudolph Agnew

Mr Joe Darby, chief executive, said that after completing its current £219m rights issue Lasmo will be able to spend £800m on exploration, assessment and development projects over the next three years, as well as maintain a £200m "cushion" to respond to unforeseen developments.

Enterprise, however, said the figures failed to include the £450m in debt that Lasmo needs to repay over the next three years, and charged that Lasmo was "still on the edge of the financial risk curve, with no capacity to take a knock".

Mr Hearne compared the document to "an elaborate selling brochure". He agreed that Lasmo's assets were attractive, but said a combined company would have the financial strength to exploit them fully.

Chelsfield and P&O in $400m disposal

By Vanessa Houlder, Property Correspondent

The joint venture between P&O, the shipping company, and Chelsfield, the quoted property group, yesterday announced the sale of its US residential garden apartments portfolio for $400m (£274m).

Laing Properties Inc, which was acquired in 1990 by P&O and Chelsfield, is selling the 6,500 properties to Security Capital Atlantic, a newly-formed residential property company specialising in the south-east of the US.

Laing Properties is being paid $280m in cash and the remainder in shares, making it a 25 per cent shareholder in Security Capital Atlantic. The remaining 75 per cent will be owned by Security Capital Realty, a company chaired by Mr William Sanders, who is a shareholder in Property Trust of America, and Security Capital Industrial Trust.

Security Capital Atlantic plans to float on the New York Stock Exchange as a real estate investment trust. The flotation would be, at the earliest, at the end of the year, said Mr Elliott Bernerd, Chelsfield chairman.

The minimum value of Laing Properties' holding in Security Capital Atlantic has been underwritten through put options that can be exercised over the next two years.

Cash received will be used to repay existing bank borrowings of Laing Properties, including $85m currently guaranteed by Chelsfield and P&O.

Mr Bernerd said that the transaction was consistent with Chelsfield's stated intention in its prospectus last December to float its residential properties in a real estate investment trust. Volatile market conditions caused the plan to be revised.

Mr Bernerd said that the decision to sell to Security Capital Atlantic was "a better solution" than the original plan because it gave Laing the option to convert the entire portfolio into cash.

He said he was also pleased with the amount of cash immediately raised from and the pricing of the portfolio, which had clawed back the provisions made following its acquisition in 1991. "In the round we are back where we started from," he said.

Unilever disappoints with £449m in opening quarter

By Tony Jackson

Unilever's shares fell 57p to £10.23p yesterday in response to first-quarter figures showing tough trading in both the US and Europe.

Pre-tax profits of £449m to end-March, up 2 per cent from last year's £440m, were at the low end of expectations. US operating profits were halved at £10m, on sales up 7 per cent at £1.3bn, giving operating margins of just 0.7 per cent.

Unilever said the fall in US profits was entirely due to the price war in liquid detergents, which began last summer and was already doing damage in last year's second half. US sales of personal products were sharply up on last year, and food and chemicals had also done well.

European operating profits were 7 per cent higher at £303m, on sales up 1 per cent at £3.64bn. However, profits were helped by undisclosed proceeds from Falcon, a Swedish drinks business sold in the period.

Sir Michael Perry, chairman, said trading conditions in Europe remained difficult, though speciality chemicals were "encouraging".

In the rest of the world, operating profits were £167m (£159m), on sales of £1.75bn (£1.6bn). Performance had been good in south-east Asia and Latin America, Sir Michael said, but Brazil had been "difficult".

Group turnover was up 4 per cent at £6.69bn. Group operating profit was also up 4 per cent at £480m. There was a sharp rise in net interest charges from £31m to £55m, due partly to the redemption of preference shares and partly to higher interest rates. This was partly offset by a £13m exceptional profit on property sales in Europe.

After tax of £138m (£133m) and minorities of £12m (£16m), net profit was up 2 per cent at £299m, calculated at constant exchange rates. At current rates profits were fractionally lower, as were earnings per share at 15.74p (15.8p).

During the period, Unilever maintained an active programme of 12 acquisitions and 10 disposals, at a net cost of £520m. Net debt rose £400m to £2.2bn, with gearing rising to 30 per cent. This was due to the cost of refinancing preference capital as well as to the acquisition programme, the company said.

See Lex

The Telegraph turns in £16m but circulation slips below 1m

By Raymond Snoddy

Sales of the Daily Telegraph last month sunk below the symbolic 1m mark for the first time since the 1930s.

The official circulation figures for April for the daily, whose readers have a greater propensity to die than those of most other national titles, missed the mark by a whisker.

The average for the month was 998,921 copies, although this represented a decline of only 0.17 per cent in a market down by 0.43 per cent.

"The FT did 10 times worse than us with a 1.69 per cent drop to 298,971," said Mr Joe Cooke, managing director of the Telegraph Group.

For good measure he added that The Guardian had dropped below 400,000 to 397,177, although the 30p Times put on 1.63 per cent to 478,419.

The mixed circulation news came as the Telegraph announced pre-tax profits of £16m for the first quarter of 1994, against £19.1m for the comparable period – although that figure was boosted by a £6.5m profit on the sale of the group's investment in Trinity International.

Advertising revenue was up by about 18 per cent, and the company said that the initial recovery from recession was continuing. Advertising revenues were approaching levels last seen in 1989.

"The business is as sound as a bell," said Mr Cooke, who added that circulation of the Daily Telegraph would soon be back up above 1m again.

Turnover increased by 10 per cent to £68.8m, and operating profit at £12.1m was up by more than 16 per cent.

Earnings per share, excluding profit on sale of investments, rose from 5.9p to 8.4p.

For the six months to March average sales of the Daily Telegraph fell 1.65 per cent to 1,016,468, although sales of the Sunday Telegraph increased by more than 6 per cent to 617,505 in the same period.

● Further evidence of a recovery in the newspaper advertising market came yesterday from Pearson, the media and entertainment group which owns the Financial Times.

At its annual meeting the group reported a "significant recovery" in advertising revenues.

Lord Blakenham, chairman, said the first four months was never much of a guide to the full year "but advertising revenue was higher in the first four months, led by the Financial Times".

See Lex

Slough bids for balance of Bredero

By Simon Davies

Slough Estates has launched a bid for the remaining 50.5 per cent of its associate, Bredero Properties, the developer which was all but sunk by its ambitious Centre West project in Hammersmith, London.

The bid values Bredero at £3.7m, reflecting the company's precarious financial situation after it breached its banking covenants.

Bredero's shares fell 4½p to 10¼p on news of the 10p a share offer, which is recommended by the independent board.

Like recently-collapsed Rosehaugh and Speyhawk, Bredero was hit hard by rising interest rates and falling property values at a time when it was proceeding with a highly geared property development programme. The company survived through a string of property disposals, and the ring fencing of one of its mainassets, Phase 1 of Centre West. It now has little left.

At its 1993 year-end, Bredero had a negative net asset value attributable to its ordinary shareholders of £3.44m, compared with an asset value of £100m in December 1989.

Yesterday, it announced a pre-tax loss of £194,000 (£77m) for the year to end-December after taking in a £908,000 exceptional profit from the write-back of previous provisions.

Bredero's only significant remaining assets are a 50 per cent stake in a retail development in Buchanan Street, Glasgow, and the site for Centre West Phase 3 in Hammersmith.

It has no firm income stream, following its recent sales of stakes in the Ashley Centre and Paisley Centre, which helped reduce bank debt from £53m to £8m.

Slough bought into Bredero in December 1986, paying £14.6m for a 49.5 per cent stake. At the time, it launched a takeover offer at 145p a share. Even after a substantial rights issue, its stake now carries a value of only £1.8m.

Slough Estates claims it is taking a long-term view of the properties, while protecting its investment – which includes a £10m preference shareholding.

Mr Alan Chisholm, Bredero managing director, said the company had been negotiating alternative offers and refinancing, but these had fallen through.

Portals shares jump 99p on bid approach

By Paul Taylor

Shares in Portals, the security and specialist paper maker, jumped yesterday after the group revealed it had received an approach, "which may or may not lead to an offer being made for the company".

The shares closed 99p higher at 765p, having traded as high as 795p earlier in the day. The shares has risen earlier in the week amid market rumours of a possible bid.

Yesterday Portals declined to elaborate on its announcement which, nevertheless, triggered speculation about the identity of the potential bidder and the value of the shares in any bid battle.

Analysts suggested the group, which also includes environmental protection and control products operations, could have a break-up value of about 800p per share. However, they also suggested that a bidder might have to pay 950p to £10 to win board backing for an agreed takeover.

Among companies suggested by analysts as possible bidders were domestic competitors like Arjo Wiggins Appleton and customers such as De La Rue, the banknote printer, seeking to integrate their operations.

Both Arjo Wiggins and De La Rue declined to comment on the speculation although Mr Les Cullen, De La Rue's finance director, acknowledged that Portals was a company "we know very well".

However, some analysts pointed out that an acquisition by a printer could also have serious disadvantages – not least because it would almost certainly result in the loss of Portals' contracts with rivals.

Chief executive goes at Andrews Sykes

By Paul Taylor

Mr David Martin was replaced yesterday as chief executive of Andrews Sykes less than 24 hours after Mr Jacques Murray and four of his supporters won control of the board at an extraordinary general meeting.

Mr Murray holds a 29.67 per cent stake in the specialist industrial services group.

Following a board meeting yesterday, the company said Mr Martin, who was only appointed to the post late last year, will be replaced by Mr Eric Hook, one the four Murray nominees on the board.

Mr Martin will remain on the board for the immediate future.

Mr Michael Doherty, a non-executive director, also resigned from the eight-man board yesterday.

Mr Stuart Ross, finance director, and Mr David Crowe, another independent director, were both voted off the board at the meeting.

Mr David Hubbard remains chairman.

Net assets up at Value & Income

The fully-diluted net asset value per share at the Value & Income Trust stood at 111.7p at the year ended March 31, against 101.1p six months earlier and 92.5p at the previous year-end.

Net revenue for the 12 months fell slightly, from £1.64m to £1.44m, giving earnings per share of 3.39p (3.97p). A final dividend of 2p makes a 4p (3.6p) total.

The directors said they expected to increase the total pay-out in the current year to 4.2p.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Appleby W'ward §	fin	5.8	July 4	5.8	9	9
Barlo	fin	0.6‡	-	0.5	1	0.5
Finsbury Trust	fin	2	July 21	2	3.2	3.2
First Ireland	fin	1.52	July 9	1.44	1.52	1.44
Johnson Fry Sec	int	1.5☆	July 15	-	-	-
Nthn Industrial	int	9	July 12	9	-	25
Personal Assets	fin	100	-	95	195	180
PWS Holdings	int	0.5	July 6	1.5	-	4
Value & Income	fin	2	July 6	1.8	4	3.6
Whessoe	int	2.3	July 15	2.3	-	8.2

Dividends shown pence per share net except where otherwise stated. §USM stock. ‡Irish pence. ☆ Maiden dividend.

Speciality Shops flotation

By Simon Davies

Speciality Shops has become the fourth property company to launch a flotation within a week.

The specialist in-town shopping centre company is raising £10.6m from a placing which values it at £28.7m.

Speciality Shops is also issuing shares to PosTel Properties, the property arm of the UK's largest pension fund manager, in exchange for the £12.5m purchase of the Jackson shopping centre in Bishop's Stortford, Herts.

The deal will give PosTel a 28 per cent stake in the company. It is in line with the pension fund's policy of increasing flexibility on properties held jointly for the Post Office and BT pension schemes.

This would enable it to separate holdings if the Post Office scheme is restructured.

Speciality Shops was formed in 1986 with the backing of a number of substantial institutions. It has focused on investing in, and managing, small to medium-sized shopping centres.

The company is placing 9.23m shares at 130p a share, of which 490,274 are being sold by existing institutional shareholders. The company will have gearing of 63 per cent after flotation.

Its properties have been valued at £31.3m, or 141.4p a share, putting the shares at an 8 per cent discount to assets. After the latest acquisition, it will own five shopping centres, aside from its small trading portfolio.

The issue is sponsored by Barclays de Zoete Wedd, and trading is expected to comment on May 20.

Trafalgar House in talks over Ritz

By Michael Skapinker, Leisure Industries Correspondent

Trafalgar House is believed to be in discussions which could result in Mandarin Oriental, the Hong Kong-based hotel group, managing the Ritz in London.

Trafalgar House had been hoping to sell the Ritz, but took it off the market last year when it did not receive what it considered adequate offers.

Trafalgar House and Mandarin Oriental have the same chairman, Mr Simon Keswick. Jardine Matheson, which controls Mandarin Oriental, is also Trafalgar's largest shareholder.

Trafalgar House is thought to have concluded that in the absence of a buyer for the Ritz, the hotel would benefit from Mandarin Oriental's management and from being part of a larger international hotel marketing network.

Both companies declined to comment.

Pearson thought to have pulled out of library deal

By Raymond Snoddy

Pearson, the media and entertainment group, is believed to have pulled out of a deal to buy the ITC programme library – an acquisition that would have been worth about $175m (£120m).

Pearson, which also owns the Financial Times, was favourite to buy the library which contains many of the programmes made by Lord Grade such as The Prisoner and films such as On Golden Pond.

ITC, with more than 10,000 hours of programmes and films, is owned by Morgan Private Equity, in turn a subsidiary of HSBC Holdings.

The apparent failure of the deal comes in the same week that Pearson announced a "global strategic alliance" to jointly launch satellite television channels in Europe and other parts of the world.

The purchase of such a library would have fitted in well with Pearson's stated strategy of expanding in the media and entertainment sectors and concentrating on the acquisition of intellectual property rights.

The group has already acquired a significant programme library through the purchase of Thames Television, now the largest independent production company in the UK. No-one at Pearson could be contacted last night to comment on the ITC deal.

Pittencrieff offers farewell £1.2m pay-out

By Peggy Hollinger

Pittencrieff, the natural resources and communications company, is offering shareholders a farewell £1.2m payout, as the delayed demerger of the two divisions got under way again yesterday.

Shareholders will receive a 4p second interim dividend before the demerger takes effect at the end of June.

Mr Terry Heneaghan, Pittencrieff chief executive, said the company had been unable to pay a final due to the demerger.

"We thought shareholders deserved the dividend and we had the resources to pay it," he said.

Pittencrieff also announced that it had scrapped plans to list the communications company in the UK through an introduction.

Mr Heneaghan said the complications of meeting the requirements of the US and UK regulatory bodies would have meant a further delay of up to four weeks. Pittencrieff Communications Inc will now be listed solely on Nasdaq.

Pittencrieff shareholders are being offered one share in a new company, Pittencrieff Resources, for every share in the original group. They will also receive five PCI shares for every 24 of the original company.

Pittencrieff Resources has applied for a listing on the London Stock Exchange.

NEWS DIGEST

Whessoe shares fall on setback

Shares in Whessoe fell 35p to 184p yesterday as the instrumentation and control and piping systems group reported halved interim profits and the disposal of its project engineering division.

After a £1m exceptional charge for redundancies and interest costs of £705,000 (£277,000 income), pre-tax profits for the half year to end-March fell to £1.89m (£4.02m).

Turnover, however, increased by 56 per cent from £40.8m to £63.8m, of which £6.74m (£8.22m) came from discontinued operations.

Earnings per share emerged at 4.4p (11.6p) but the interim dividend is maintained at 2.3p.

Whessoe Projects, the project engineering arm, has been sold to Noell, a German engineering company owned by Preussag, for £1.4m cash. Proceeds will be used to reduce borrowings.

Appleby Westward

Appleby Westward, the USM-traded grocery distributor, saw profits before tax drop from £1.28m to just £221,000 over the 12 months to February 28.

The outcome took in some £205,000 of non-recurring costs and £371,000 in sub-contract commissions associated with the agreement last year with Watson & Philip.

Mr Roger Harvey, chairman, described conditions in the food industry as "difficult and more competitive than ever with the change in Sunday trading removing some of the advantage our retailers had".

Group turnover edged ahead to £71.7m over the year; directors said that sales in the current year, excluding the commercial vehicle repair division which was sold after the year-end, were showing a 21 per cent advance.

Earnings per share dropped to 2.7p (15.7p). The recommended final of 5.8p keeps the year's total at 9p.

Chelsea

Mr Ken Bates, the ebullient chairman of Chelsea, is not letting today's FA Cup Final against Manchester United impede his reputation for litigation.

Two companies under his control, Chelsea Village and Chelsea Football Club, have issued proceedings in the High Court seeking a declaration that the recent appointment of Mr Christopher Morris of Touche Ross as liquidator to CFAC, the former Chelsea Football and Athletic Company, was invalidly made.

The statement said that 90 per cent of CFAC's debts had already been paid off and the remaining non-Chelsea debts were never acknowledged as valid. Chelsea is seeking to appoint a liquidator "who will finalise the affairs of CFAC in the most cost-effective manner and in the best interests of all the remaining creditors".

Personal Assets

Net asset value per share of Personal Assets Trust rose from £75.18 to £85.34 over the 12 months to April 30, an improvement of 13.5 per cent.

Available revenue for the period amounted to £322,000 (£378,000), equal to earnings of 212p (252p). A final dividend of 100p makes a 195p (180p) total. For the years 1994-95 and 1995-96 the board intends to declare dividends totalling 200p.

Borland Intl

Borland International, the US personal computer company, yesterday said the announcement of its year-end result would occur later than expected because of complexities associated with the sale of its Quattro Pro product line, the acquisition of ReportSmith, and the restructuring of its US and international operations.

Barlo

Barlo Group, the Dublin-based radiator and packaging company, announced doubled annual profits as it continued to draw benefit from acquisition and rationalisation.

On turnover ahead from I£49.7m to I£97.3m (£95.4m), including I£19.5m from acquisitions, pre-tax profits for the year to end-March emerged at I£7.78m (I£3.9m). Directors attributed the profits growth to expansion of the radiator activities, bolstered by the restructuring of IRG and a maiden nine-month contribution from Belgium-based Veha, acquired in July 1993.

Net borrowings at the year end amounted to I£4.87m (I£6.34m) representing gearing of 11 per cent.

Earnings per share improved to 5.11p (3.65p); a final dividend of 0.6p doubles the year's total to 1p.

Finsbury Trust

Finsbury Trust, the special situations investment trust, lifted net assets by 41 per cent to 181.1p over the 12 months to March 31.

Investment income for the year slipped to £1.38m (£1.52m). After-tax revenue dropped from £872,000 to £854,000 giving earnings per share of 3.5p (3.6p). The final dividend is an unchanged 2p for a same-again 3.2p total.

Fleming Chinese

The Fleming Chinese Investment Trust had a net asset value per share of 92.2p at March 31, compared with an initial value of 97.2p when the shares commenced trading on October 19.

For the period from September 10, the date of incorporation, to March 31, net revenue totalled £93,541, giving earnings of 0.16p per share. Total assets amounted to £55.6m.

PWS

PWS Holdings, the Lloyd's insurance and reinsurance broker, reported a pre-tax deficit of £446,000 for the six months to end-March, compared with a profit of £2.07m last time.

The outcome, which was struck after providing some £1m for discontinued activities and reorganisation, came from turnover down from £8.39m to £7.05m.

Losses per share came out at 0.5p (6.4p earnings), and the interim dividend is cut from 1.5p to 0.5p.

The shares closed 11p lower at 62p.

Lord Pearson, chairman, said there were clear signs that capacity was returning to the market and, with profit growth now weighted increasingly towards the second half, he expected a healthy second six months.

Westminster Health

Westminster Health Care, the nursing homes group, has acquired five nursing homes in Scotland and Northern Ireland from Medilife for £9.45m cash.

The purpose-built homes contain 315 beds – of which 42 are for elderly mentally infirm patients, taking the group's total number of beds to 4,151 in 60 homes. The purchase gives the group 14 homes in Scotland and extends its business to Northern Ireland for the first time.

City of Oxford

The City of Oxford Investment Trust reported a net asset value of 38.2p per ordinary share as at March 31, up from 32.7p a year earlier.

Net revenue, taking in a charge of £101,000 related to the extension of the trust's life, was £1.51m (£1.53m), leaving earnings at 5.04p (5.11p) per share. A proposed final dividend of 1.4p maintains the year's total at 5p.

Allied-Lyons

Hiram Walker, the spirits and wine division of Allied-Lyons, has acquired a significant interest in the Swiss distribution activity of Bols-Cynar, a subsidiary of Bols Wessanen, the Dutch food and beverages group.

The joint venture will be operative from July 1.

Bols-Cynar has been distributing Ballantine's, the leading whisky in Switzerland for over 60 years, and its name will be changed to Bols-Cynar Ballantine's in recognition of the new venture.

M Grenfell Equity

Net asset value per share of Morgan Grenfell Equity Income Trust stood at 146p undiluted at March 31. That compared with 139.7p at the September 30 year-end and with 119.1p at end-March 1993. The fully diluted figures were 138.6p, 133.1p and 122.8p respectively.

Available revenue for the six months to March 31 amounted to £597,000 (£541,000). With more shares in issue, earnings slipped to 1.74p (2.22p).

The interim dividend is a same-again 2p.

Overseas Inv

Overseas Investment Trust raised fully diluted net assets per share to 416.2p at March 31, against 344p a year earlier and 390.8p at September 30 1993.

The undiluted figures were 426.3p, 350.8p and 390.3p respectively.

After-tax earnings dropped from £452,000 to £296,000 for the half year giving earnings per share of 0.78p (1.19p).

The interim dividend is maintained at 0.85p.

Euro Disney hopes to seal debt shake-up next week

By Alice Rawsthorn in Paris

Euro Disney, the troubled leisure group, hopes next week to call an extraordinary general meeting of its shareholders to approve the terms of its FFr13bn ($2.2bn) emergency financial restructuring package.

The meeting, which is expected to be held in a month's time, will mark the start of the final stage of completing the complex rescue deal. Euro Disney's shareholders will be asked to endorse proposals to stage a FFr6bn rights issue, which forms the core of the restructuring package.

If all goes well the details of the rights issue will be announced a few days after the meeting.

The issue is scheduled for completion in mid-July, enabling Euro Disney to complete its restructuring before the French summer holiday in August.

Walt Disney, the US entertainment company that owns 49 per cent of Euro Disney, has promised to take up its full entitlement of the rights issue. A number of the banks in Euro Disney's 61-strong loan syndicates have agreed to underwrite the remaining 51 per cent of the shares.

Euro Disney last week took the tactical step of extending to shareholders an offer of warrants to buy shares at FFr40.00 for 10 years. The offer was initially available only to Walt Disney and the banks. The extension was interpreted by analysts as an attempt to placate the ordinary shareholders.

However, the group announced it was reducing the par value of its shares to FFr5.00 from FFr10.00. This sparked speculation that the rights issue would be deeply discounted, raising the risk that ordinary shareholders (many of whom have incurred heavy losses on their Euro Disney shares) would face heavy dilution because of the issue.

Euro Disney, which is advised by S G Warburg in London, had hoped to hold the EGM at an earlier date and to complete the rights issue by the end of June. However, persuading all its banks to agree to the restructuring took longer than expected.

Banque Nationale de Paris (BNP) and Banque Indosuez, joint leaders of the syndicates, have for months been in negotiations with the other lenders. Some of the smaller banks have taken an unexpectedly tough stance causing a delay in the completion of the deal.

Sprint stock rises on talk of EDS link

By Martin Dickson in New York

Shares in Sprint, the US telecommunications group, rose yesterday amid reports that it had been in discussions with Electronic Data Systems, a subsidiary of General Motors, about an alliance to compete in the multimedia information industry.

The companies declined to comment but Wall Street analysts said such a deal could have advantages for both companies and send competitive ripples through the US telecommunications sector.

Sprint share rose $¾ in morning trading to $36¾, while General Motors E shares – which represent a call on EDS's dividend stream – rose $¼ to $33 ¼.

Sprint is the third largest long-distance US telecommunications group with large operations in cellular telephony and local telephone services. It is the only large North American communications company which has interests in all three areas, though other groups are tending in this direction as regulatory and commercial pressures allow them.

EDS is the world's leading computing services company and operates its own global, digital communications network on behalf of corporate clients.

EDS is known to have held talks on possible alliances with many of the world's leading telephone companies – including British Telecom – over the past few years.

Analysts said that Sprint, with its well-known brand name and fast-growing cellular service, could give EDS a central role in US multimedia services.

Speculation about the future of EDS has risen sharply over the past few days following an agreement over pension plan contributions between GM and a government regulatory agency. The agreement freed EDS from liability for GM pension contributions if EDS left the group, giving GM the freedom to sell all of the unit or a stake in it.

Rescue plan lifts Metallgesellschaft

By David Waller in Frankfurt

Metallgesellschaft shares jumped nearly 15 per cent yesterday after the German metals, mining and industrial conglomerate which came to the verge of bankruptcy last January, published details of its planned restructuring programme in its employees' newspaper.

The detailed account of the cost-cutting measures planned by Mr Kajo Neukirchen, chief executive, coincided with a strong buy-note from a London-based securities house recommending that investors purchase Metallgesellschaft shares.

The shares rose DM36 to DM280 yesterday, following a DM17 rise on Wednesday, with the result that the shares have risen by 25 per cent this week.

Metallgesellschaft said in its internal newspaper it was aiming to increase liquidity and implement cost-savings totalling DM4bn ($2.3bn).

The planned reduction of the workforce by 7,500 people from 43,000 at the end of last year would reduce personnel costs by DM550m, Metallgesellschaft said.

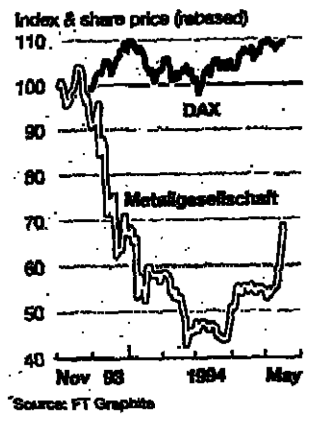
A reduction of inventory levels would save a further DM500m. Metallgesellschaft said it planned to save additional, large amounts of cash by reducing investment levels and cutting borrowings.

Analysts said these figures were in line with their estimates and suggested the main impetus for the share price movement came from the buy-note released by UBS earlier this week. In this, Mr Peter Dupont argued that Metallgesellschaft's shares – hitherto avoided by international investors in the light of the scale of the group's problems – were oversold.

Drawing parallels with the share price performance of other near-bankrupt German companies when entering a recovery phase, the UBS analyst argued that in the case of Metallgesellschaft "a major recovery story is about to unfold based on aggressive cost-cutting, a strengthening industrial economy and firmer metal and oil prices".

Metallgesellschaft came to the brink of collapse after a US subsidiary ran up DM2.3bn losses trading in oil derivatives. It survived after banks provided a DM3.4bn rescue package. At current share prices, the group has a market capitalisation of about DM4bn.

Analysts at other institutions cautioned yesterday that Metallgesellschaft's shares remained a highly speculative investment, in spite of the surge in price this week. The group lost DM1.88bn last year and is likely to lose a further DM1.24bn in the current financial year to the end of September.



Source: FT Graphite

Oppenheimer leads Russia team

By Kenneth Gooding, Mining Correspondent

Mr Nicholas Oppenheimer, deputy chairman of De Beers, will head a team to meet Russian officials in Moscow next week. It comes as the South African group's $5bn diamond marketing contract with Russia appears to be under strain.

Among the Russian negotiators will be Mr Yevgeny Bychkov, head of Komdragmet, the Russian diamond and precious stones committee, who is demanding that Russia keep 25 per cent of its rough diamond trade rather than the 5 per cent agreed under the terms of the contract with De Beers.

Mr Leonid Gurevich, deputy chairman of Komdragmet, told Diamantaire, a subscription-only newsletter published by the CRU International consultancy group, that Mr Viktor Chernomyrdin, the Russian prime minister, had authorised a government committee to meet Mr Oppenheimer, making this the highest level of official negotiations for De Beers in Russia since it concluded its five-year contract in 1990.

De Beers controls at least 80 per cent of world trade in rough (uncut) diamonds and Russia supplies about 25 per cent of the diamonds De Beers sells. Mr Mark Cockle, editor of Diamantaire, said the sudden decision of Mr Oppenheimer to leave for Moscow "underlines the predicament facing De Beers over what strategy to adopt with Russia". He said Komdragmet officials had shown a preference for dealing directly with members of the Oppenheimer family rather than with Mr Gary Ralfe, managing director of De Beers central selling organisation.

Mr Ralfe recently criticised Russia for selling diamonds in breach of the contract.

ITD in $1.6bn Bangkok float

By Victor Mallet in Bangkok

Italian Thai Development (ITD), Thailand's biggest construction and civil engineering company, is to be floated on the stock exchange in Bangkok later this year in a deal which could value the company at $1.6bn, brokers and ITD executives say.

The construction company, which dominates the Thai market for large infrastructure projects, is part of the ITD group founded in 1958 by the late Mr Giorgio Berlingieri and Mr Chaijudh Karnasuta. The group is controlled by the Karnasuta family.

They are planning to sell 10 per cent of the construction company, or 25m shares, in the initial public offering in the next couple of months, to raise about Bt4bn ($157m), although the exact price of the shares has yet to be finalised. Jardine Fleming Thanakom and Goldman Sachs are co-lead managers, and 30 per cent of the issue will be set aside for foreign investors.

Company executives say the listing gives ITD the chance to raise capital more cheaply than by bank borrowing.

"In the old days the government was our main customer, but that's slowly changing," said Mr William Zentgraf, managing director of Italthai Holding. "More and more of the work is coming in private concessions and to do these you need capital."

He noted that Sino-Thai Engineering and Construction, one of ITD's listed competitors, had recently raised $80m for 10 years at 1.75 per cent through a Euroconvertible debenture – a far cheaper way of borrowing money than anything available to an unlisted company. "As soon as you're on the stock exchange, all of these other doors open up for you," said Mr Zentgraf.

Among other projects, the company is installing new provincial telephone lines as part of a 1m line concession won by Thai Telephone and Telecommunication, and it has a 14 per cent stake in TT&T.

ISS postpones share listing in New York

By Hilary Barnes in Copenhagen

International Service Systems, the industrial cleaning group, yesterday blamed difficult conditions in the US equities market for the postponement of a planned share issue in the US and a listing in New York.

The group said that an issue at the present time could not be carried out at a price level satisfactory to ISS. The Danish group last year acquired National Cleaning Company, a US group with 20,000 employees and an annual turnover of about $500m, which means that 40 per cent of ISS's turnover takes place in North America.

The acquisition cost ISS DKr585m ($87.3m) and was financed by bank loans with possible equity financing. An issue of 3m shares was planned in the US, and the group had hoped to raise about DKr620m with the issue priced at about DKr225 per share.

ISS B shares fell by DKr8 to DKr231 in Copenhagen yesterday. ISS's turnover in 1993 was about DKr13.30bn. National Cleaning Company was included for the final seven months of the year. Net profits increased to DKr461m from DKr265m.

Alumax to build $75m parts plant

By Kenneth Gooding

Alumax, the third-largest US aluminium producer, is to build a $75m plant on an 82-acre site at Jackson, Tennessee, to produce car parts using its proprietary semi-solid metal forming, or SSF, technology.

The move underlines the aluminium industry's belief that it expects increased demand from the automotive industry.

SSF is claimed to be the first new metal forming process for decades. The Alumax technology, covered by more than 60 patents, involves specially-processed aluminium billets forged into high-quality components with one stroke. Alumax says the components have virtually all the detail of the finished part and need little, if any, further processing.

Chrysler and Ford in the US have been testing engine and air conditioning components made by the process for two years.

Mr Alan Born, Alumax chairman, said the new plant, to be completed in two years would eventually employ 500 people.

Mr Bond Evans, president, said at Alumax's annual meeting that the aluminium industry had seen the bottom of the economic cycle and the worst of the problems associated with the break-up of the Soviet Union.

Austrian privatisation terms set

By Patrick Blum in Vienna

The flotation next week of 51 per cent of VA-Techonologie, Austria's largest engineering group, is expected to raise Sch6.9bn ($585m), almost Sch2bn more than anticipated when the company's privatisation was announced last November.

Following strong interest from international institutional investors in Europe and the US, the 7.65m shares on offer have been priced at Sch900 per share – at the upper end of initial valuations. This would value the company at Sch13.5bn. "Demand has been consistently strong across all markets," the company said.

VA-Tech's privatisation – the largest Austrian flotation – is part of a government programme to cut the state's role in industry which it hopes will raise about Sch20bn over the next 18 months.

The company is owned 75 per cent by OIAG, the Austrian state holding company for the nationalised industries, and it has a 25 per cent cross shareholding with VA-Stahl, the steel group which is being restructured to prepare it for privatisation by 1996.

The flotation on the Vienna stock exchange is set to start on Monday and run all of next week, but it is expected to close early due to high demand.

COMMODITIES AND BOND PRICES

WEEK IN THE MARKETS

Copper and coffee stir up a froth

Froth and frenzy returned to the commodity markets yesterday as US investment funds piled in with more buying orders. Their efforts helped boost copper's price on the London Metal Exchange to its highest level for 14 months, nickel was at a 15-month peak and aluminium reached a 22-month high. At the same time, coffee prices soared to a fresh five-year peak.

The rush in the metal markets started after the LME reported its copper stocks had dropped, by 21,700 tonnes to 424,700 tonnes, the lowest for a year and 31 per cent below the 16-year peak in February.

Copper for delivery in three months jumped another $60.50 a tonne by the close yesterday to $2,179 to end the week $151.50 ahead. The red metal also moved into backwardation, when a premium is charged for immediate delivery. On the New York Commodity Exchange by midday copper had burst through the psychologically-important $1 a lb ($2,204 a tonne) level to $1.40. Mr Viktor Bielski, analyst at Bain & Co, part of the Deutsche Bank Group, suggested the copper price rise was to some extent supported by market fundamentals. Demand was high in the US, recovering in Europe and doing well in Asia. LME stocks were probably down to a level where all freely-available metal had gone.

In recent years, banks and other financial institutions have made a modest profit by buying LME stock and negotiating with warehouses special, low, rents for storing it for up to three years. Mr Bielski suggested a great deal of the remaining copper in LME warehouses was tied up by this type of deal. He also suggested that copper might go to $1.05 a lb ($2,314 a tonne) in the present rally but "$1.10 would unlock the metal held under financing agreements."

The investment funds' computer-driven operations also put nickel in their sites yesterday, sending the price through various chart resistance points and driving the LME three-month price up by $432.50 a tonne to $6,367.50, up $590 a tonne or nearly 10 per cent over the week.

The funds also brought aluminium to the party for the first time in this rally. Three-month aluminium closed at $1,353 a tonne, up $24.50. Aluminium was ahead only by $20.50 a tonne over the week.

The sky appeared to be the limit for the coffee market this week. The London market has been spurred by strong New York buying where the price for arabica coffee futures broke through 100 cents a lb.

The International Coffee Organisation composite coffee price reached 104 cents per lb which led the members of the Association of Coffee Producing Countries to say they could begin to release 4m bags held as part of their retention scheme. Brazil sanctioned on Thursday the sale of some of its stocks held as part of the scheme. But even so, supplies are likely to remain tight.

Coffee stayed on the boil yesterday. Traders said there was little fresh news but there was heavy fund buying. New York again set the tone, helping to push the July futures price on the London Commodity Exchange up another $100 a tonne to $1,990. Second-month prices subsided later as traders took profits and settled back to $1,956, up $66.

Cocoa futures rose this week in the wake of coffee, but traders said the rise was driven mostly by speculative activity. Yesterday, buying dried up once July peaked at £972 a tonne. Prices tumbled later to close unchanged at £955.

Deborah Hargreaves and Kenneth Gooding

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+19,800	to 2,646,657
Aluminium alloy	-860	to 36,940
Copper	-21,700	to 424,700
Lead	+2,600	to 345,725
Nickel	+420	to 132,516
Zinc	+2,357	to 1,157,332
Tin	+65	to 27,905

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	1994 High	1994 Low
Gold per troy oz.	$380.35	+6.05	$367.80	$396.50	$369.50
Silver per troy oz	361.60p	+13.00	288.50p	384.50p	335.50p
Aluminium 99.7% (cash)	$1325.5	+18.0	$1124.5	$1325.50	$1107.50
Copper Grade A (cash)	$2189.0	+169.5	$1145.0	$2189.00	$1731.50
Lead (cash)	$482.0	+13.0	$265.0	$510.50	$426.0
Nickel (cash)	$6290.0	+582.5	$5687.5	$6290	$5210.0
Zinc SHG (cash)	$957.0	-	$965.5	$1014	$900.5
Tin (cash)	$5505.0	+57.5	$5485.0	$5650.0	$4730.0
Cocoa Futures Jul	£957	+28	£677	£969	£859
Coffee Futures Jul	$1957	+167	$886	$1957	$1175
Sugar (LDP Raw)	$292.40	+11.7	$316.8	$296.2	$252.9
Barley Futures Sep	£97.40	+0.30	£106.5	£97.40	£92.65
Wheat Futures Jun	£113.05	-4.45	£142.5	£117.50	£97.80
Cotton Outlook A Index	85.70c	-0.35	60.65c	86.05c	62.45c
Wool (64s Super)	422p	+20	378p	422p	342p
Oil (Brent Blend)	$16.365x	-	$18.48	$16.365	$13.16

Per tonne unless otherwise stated. p Pence/kg. c Cents lb. x July

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1325-6	1352.5-3.5
Previous	1301-2	1328-9
High/low	1308/1308	1359/1323
AM Official	1307.5-8.0	1333-4
Kerb close		1347-8
Open int.	246,961	
Total daily turnover	54,295	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1320-30	1330-40
Previous	1300-5	1315-20
High/low	-	1335/1320
AM Official	1305-15	1320-30
Kerb close		1335-40
Open int.	3,583	
Total daily turnover	820	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	481.5-2.5	496.5-8.0
Previous	461.5-2.5	478-9
High/low	-	506/479
AM Official	471.5-2.5	488-9
Kerb close		502-4
Open int.	35,357	
Total daily turnover	12,391	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6285-95	6365-70
Previous	5850-60	5930-40
High/low	-	6370/5920
AM Official	6245-55	6320-30
Kerb close		6345-55
Open int.	58,450	
Total daily turnover	20,841	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5500-10	5560-70
Previous	5380-5	5440-5
High/low	-	5620/5440
AM Official	5440-50	5495-500
Kerb close		5590-600
Open int.	16,545	
Total daily turnover	5,762	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	956.5-7.5	978-9
Previous	950-1	971-2
High/low	949/947.5	985/969
AM Official	948.5-9.0	969-70
Kerb close		974-5
Open int.	102,548	
Total daily turnover	12,751	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2189-90	2178.5-9.5
Previous	2121-3	2118-9
High/low	-	2180/2100
AM Official	2172-4	2163-4
Kerb close		2170-1
Open int.	193,692	
Total daily turnover	98,832	

■ LME AM Official £/$ rate: 1.4970
LME Closing £/$ rate: 1.5006

Spot:1.4990 3 mths:1.4976 6 mths:1.4961 9 mths:1.4966

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
May	102.75	+4.45	102.80	100.60	2,822	538
Jun	102.30	+4.10	101.20	100.30	1,100	69
Jul	101.80	+3.70	101.90	100.10	42,403	157
Aug	101.00	+3.45	99.90	99.60	482	42
Sep	100.20	+3.20	100.40	98.80	8,327	8
Oct	99.50	+2.85	-	-	202	-
Total					85,784	980

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	380.10-380.60	
Opening	380.50-380.90	
Morning fix	381.45	254.857
Afternoon fix	381.65	254.484
Day's High	381.90-382.20	
Day's Low	379.80-380.20	
Previous close	378.80-379.20	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....4.04 6 months 4.82
2 months ....4.17 12 months 5.10

Precious Metals continued

GRAINS AND OIL SEEDS

SOFTS

ENERGY

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

May	90.15	-0.90	92.00	90.15	384	78
Jul	92.75	-0.80	95.30	92.80	13,818	1,183
Sep	95.10	-0.30	97.50	95.05	2,791	513
Nov	96.75	-0.50	98.00	96.75	1,272	170
Jan	98.50	-0.05	100.25	98.00	2,194	94
Mar	99.95	-0.30	101.55	99.95	758	29
Total					21,282	2,087

SPICES
White pepper - fewer sellers and some more buying interest for the new crop positions. Prices remained unchanged. July/Oct shipment is offered at US$2,575 cif. Black pepper - prices stable. Buying interest still low. Faq spot at US$1,575 and Grade 1 at about US$1,650. Indonesia reports that the Lampong crop will be delayed. Cassia and cinnamon - spot positions tight. Indonesian export capacity is booked until June/July. Prices moving up further. Nutmegs - Prices in the Far East are increasing but the European market is not yet following because of the unsold stocks there. This situation is expected to change as soon as these stocks have disappeared. Pimento, cloves unchanged.

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

May 13	May 12	month ago	year ago
1930.7	1911.8	1806.9	1688.9

■ CRB Futures (Base: 4/9/56=100)

May 12	May 11	month ago	year ago
227.22	226.78	222.36	206.83

MEAT AND LIVESTOCK

LONDON TRADED OPTIONS

■ COFFEE LCE	Jul	Sep	Jul	Sep
1550	408	386	1	15
1600	359	343	2	22
1650	312	303	6	32
■ COCOA LCE	Jul	Sep	Jul	Sep
875	86	115	4	11
900	65	98	8	17
925	47	79	15	25
■ BRENT CRUDE IPE	Jun	Jul	Jun	Jul
1550	-	-	-	10
1600	3	101	2	20
1650	-	65	1	33

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jul)		+or-
Dubai	$15.00-5.02w	+0.32
Brent Blend (dated)	$16.54-6.59	+0.315
Brent Blend (Jul)	$16.35-6.38	+0.325
W.T.I. (1pm est)	$17.80-7.83w	+0.305
■ OIL PRODUCTS NWEprompt delivery CIF (tonne)		
Premium Gasoline	$181-183	+2
Gas Oil	$153-154	+0.5
Heavy Fuel Oil	$86-87	+2.5
Naphtha	$156-158	+2
Jet Fuel	$167-168	+1
Petroleum Argus Estimates		
■ OTHER		
Gold (per troy oz)♣	$380.35	+1.35
Silver (per troy oz)♣	542.50c	+8.00
Platinum (per troy oz.)	$389.40	+2.65
Palladium (per troy oz.)	$135.75	+0.25
Copper (US prod.)	103.00c	
Lead (US prod.)	38.13c	
Tin (Kuala Lumpur)	14.09r	+0.01
Tin (New York)	256.50c	+7.00
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	129.49p	+2.10*
Sheep (live weight)†♠	147.42p	-8.30*
Pigs (live weight)	84.17p	+5.26*
Lon. day sugar (raw)	$292.40	-2.60
Lon. day sugar (wte)	$343.50	-2.00
Tate & Lyle export	£308.00	-1.00
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	$138.50	
Wheat (US Dark North)	£180.0x	
Rubber (Jun)♥	72.00p	
Rubber (Jul)♥	72.25p	
Rubber(KL RSS No1 Jun)	257.50m	+1.00
Coconut Oil (Phil)§	$590.0z	
Palm Oil (Malay.)§	$477.5y	-5.00
Copra (Phil)§	$371.0	
Soyabeans (US)	£193.0y	
Cotton Outlook A Index	85.70c	
Wooltops (64s Super)	422p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Jun/Jul. y Jun. w Jul. x Apr/May. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.500	08/03	104.2100	+0.450	8.82	8.78	8.20
Belgium		7.250	04/04	-	-	-	7.60	7.18
Canada *		6.500	06/04	86.6000	+0.050	8.51	8.56	8.10
Denmark		7.000	12/04	97.6700	+0.020	7.32	7.45	6.99
France	BTAN	8.000	05/98	106.1250	-0.130	6.21	6.32	5.94
	OAT	5.500	04/04	89.9600	+0.150	6.93	7.11	6.61
Germany		6.750	05/04	100.7700	-0.030	6.64	6.60	6.26
Italy		8.500	01/04	96.0000	-0.700	9.13†	9.13	8.74
Japan	No 119	4.800	06/99	107.1170	+0.180	3.18	3.37	3.47
	No 157	4.500	06/03	104.3790	+0.350	3.85	3.94	3.95
Netherlands		5.750	01/04	93.6200	+0.240	6.66	6.79	6.48
Spain		10.500	10/03	105.3500	-0.300	9.59	9.67	8.94
UK Gilts		6.000	08/99	93-02	+16/32	7.63	7.85	7.11
		6.750	11/04	91-01	+30/32	8.03	8.25	7.50
		9.000	10/08	107-03	+39/32	8.15	8.34	7.68
US Treasury *		5.875	02/04	89-30	-	7.34	7.32	6.96
		6.250	08/23	85-04	+1/32	7.51	7.53	7.29
ECU (French Govt)		6.000	04/04	90.7500	+0.210	7.34	7.57	6.94

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

BOND FUTURES AND OPTIONS

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
105	0-51	2-03	0-43	3-03
106	0-24	1-42	1-16	3-42
107	0-10	1-20	2-02	4-20

Est. vol. total, Calls 3267 Puts 2364. Previous day's open int., Calls 108235 Puts 75702

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	102-12	102-01	-0-10	103-15	102-00	537,983	422,674
Sep	101-13	101-03	-0-10	102-15	101-03	9,683	69,585
Dec	101-09	100-18	-0-05	101-27	100-18	436	33,950

FT-ACTUARIES FIXED INTEREST INDICES

FT FIXED INTEREST INDICES

GILT EDGED ACTIVITY INDICES

UK GILTS PRICES

Other Fixed Interest

ECONOMIC DIARY – FORWARD EVENTS

TODAY: National Savings results (April).
TOMORROW: UNISON union conference in Bournemouth.
MONDAY: Producer price index numbers (April). Analysis of bank lending to UK residents (first quarter). US industrial production (April); capacity utilisation (April). European Union general affairs council meets in Brussels (until Tuesday). South Africa's new Senate due to meet. Advertising Association holds annual luncheon at Savoy Hotel.
TUESDAY: CBI survey of distributive trades (April). New construction orders (March). Acquisitions and mergers within the UK (first quarter). US housing starts (April); building permits (April). Mr Kenneth Clarke, chancellor of the exchequer, addresses CBI annual dinner at Grosvenor House Hotel. Informal meeting of the European Union's agriculture council in Greece. European Union's consumer council meets in Brussels. Malawi's first multi-party general election. Financial Times holds conference "World Pulp and Paper" in London. Building Societies Association 1994 conference in Birmingham (until Thursday). Interims from BOC Group and Hanson. Preliminary figures from Allied-Lyons.
WEDNESDAY: Retail prices index (April). Labour market statistics: unemployment and unfilled vacancies (April-provisional); average earnings indices (March-provisional); employment, hours, productivity and unit wage costs; industrial disputes; includes long-term unemployment (quarterly analysis of unemployment by age and duration) (March). Public sector borrowing requirement (April).
THURSDAY: Machine tools (March). Retail sales (April). Financial Statistics (May). Provisional figures for vehicle production (April).
FRIDAY: Provisional estimates of M4 and counterparts (April). Building societies monthly figures (April). Major British banking groups' monthly statement (end-April). Mr F.W. de Klerk, former South African president, delivers Nobel peace lecture in London.

CURRENCIES AND MONEY

MARKETS REPORT

Dollar softer

The dollar finished slightly softer on the foreign exchanges yesterday as weaker than expected inflation figures introduced some doubt about the outlook for US monetary policy, *writes Philip Gawith.*

The market has factored in an imminent tightening from the Federal Reserve, but a spate of weaker than expected economic data has brought into question the extent by which rates are likely to rise.

The US currency finished in London at DM1.6671 against the dollar from DM1.6708. Against the yen it closed at Y104.755 from Y104.505.

The Greek drachma was under attack following the announcement of legislation to free all capital transfers in July. Anticipating a possible devaluation, the market drove the drachma down by more than one drachma to close at Dr148.10 against the D-Mark.

The D-Mark was little changed in Europe, with trading quiet as many dealers stayed away from their desks following the Ascension day holiday on Thursday.

The Bank of Spain cuts its key money rate to 7.50 per cent from 7.75 per cent, and the Bank of Ireland cut its short-term facility rate to 6.25 per cent from 6.5 per cent.

Sterling traded very narrowly with the sterling index unchanged at 80.1 throughout the day. It closed at DM2.5012 from DM2.5052 against the D-Mark. Against the dollar it closed at $1.5004 from $1.4994.

■ Pound in New York

May 13	—Latest—	– Prev. close –
£ spot	1.4985	1.4997
1 mth	1.4976	1.4989
3 mth	1.4972	1.4986
1 yr	1.4961	1.4983

■ US consumer inflation for April rose by only 0.1 per cent, compared with forecasts of a 0.3 per cent gain. This led some analysts to revise down their estimates of what constitutes the "neutral" monetary policy stance the Fed is seeking.

Mr Tony Norfield, UK treasury economist at ABN-AMRO bank, said he could not see the federal funds rate - currently 3.75 per cent - rising above 4.5 per cent in the next few months.

But Mr Steve Hannah, head of research at IBJ International in London, said the signal from the bond market "is that the Fed is going to have to catch up with inflation expectations." With the US economy growing at close to twice its potential growth rate, Mr Hannah said a 2.5 to 3 per cent real short rate was probably appropriate - meaning Fed funds at about 5.5 to 6 per cent.

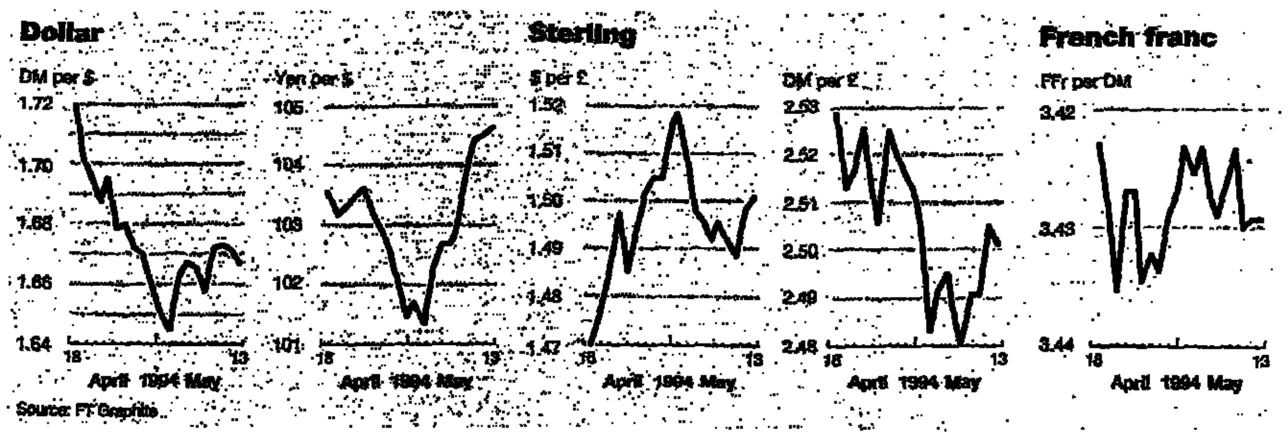
■ The market took Spain's rate cut to be politically motivated, given that the government is under considerable pressure over various corruption scandals, and recent inflation data is unexceptional. Also, the cut was made against the background of a currency that has been fairly weak recently. The peseta finished in London at Pta82.65 against the D-Mark from Pta82.48.

The Irish punt showed little reaction to the 25 basis point cut in the short-term facility rate to 6.25 per cent. It finished at I£0.409 against the D-Mark from I£0.410.

■ Sterling futures had another good day with the December contract finishing nine basis points firmer at 94.02. Nearly 22,000 lots were traded. Euromark volumes were low and there was little movement.

The Bank of England did not operate in the UK money markets after revising its forecast from a £250m shortage, to a flat position.

In Germany, call money was firm at 5.45/5.55 per cent, compared to the repo rate of 5.35 per cent.



■ OTHER CURRENCIES

May 13	£	$
Hungary	154.620 - 154.767	103.080 - 103.130
Iran	2602.00 - 2608.00	1748.00 - 1750.00
Kuwait	0.4470 - 0.4487	0.2980 - 0.2985
Poland	33795.0 - 33885.8	22530.0 - 22580.0
Russia	2808.75 - 2817.75	1872.00 - 1878.00
U.A.E.	5.5067 - 5.5117	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

May 13		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.5979	-0.0683	900 - 957	17.6846	17.5847	17.5841	0.3	17.5785	0.2	-	-	113.8
Belgium	(BFr)	51.4920	-0.0674	500 - 340	51.5927	51.3283	51.487	0.1	51.517	-0.2	51.317	0.3	115.0
Denmark	(DKr)	9.7808	-0.0169	770 - 846	9.8131	9.7589	9.7884	-0.9	9.7966	-0.6	9.814	-0.3	116.0
Finland	(FM)	8.1274	-0.0106	180 - 368	8.1690	8.1080	-	-	-	-	-	-	81.9
France	(FFr)	8.5776	-0.0121	733 - 818	8.5983	8.5558	8.5834	-0.8	8.589	-0.5	8.554	0.3	107.6
Germany	(DM)	2.5012	-0.004	999 - 024	2.5088	2.4939	2.5017	-0.2	2.501	0.0	2.4804	0.8	123.4
Greece	(Dr)	370.887	+1.209	350 - 423	372.277	368.461	-	-	-	-	-	-	-
Ireland	(I£)	1.0244	-0.002	235 - 253	1.0267	1.0205	1.025	-0.8	1.0263	-0.7	1.0283	-0.4	104.2
Italy	(L)	2394.49	-1.25	280 - 617	2398.41	2388.14	2400.94	-3.2	2410.64	-2.7	2442.04	-2.0	78.6
Luxembourg	(LFr)	51.4920	-0.0574	500 - 340	51.5927	51.3283	51.487	0.1	51.517	-0.2	51.317	0.3	115.0
Netherlands	(Fl)	2.8073	-0.003	059 - 087	2.8151	2.7998	2.8069	0.2	2.8066	0.1	2.7837	0.8	118.7
Norway	(NKr)	10.8353	-0.019	312 - 393	10.9004	10.8090	10.8298	0.6	10.8422	-0.3	10.8333	0.0	85.2
Portugal	(Es)	258.211	-0.211	000 - 421	258.301	256.853	259.188	-4.5	261.131	-4.5	-	-	-
Spain	(Pta)	206.734	+0.117	610 - 857	208.925	205.906	207.239	-2.9	208.154	-2.7	210.954	-2.0	84.5
Sweden	(SKr)	11.6103	-0.0104	019 - 186	11.6744	11.5862	11.6318	-2.2	11.6623	-1.9	11.7513	-1.2	77.1
Switzerland	(SFr)	2.1369	-0.0077	357 - 380	2.1428	2.1339	2.135	1.0	2.1304	1.2	2.0989	1.8	117.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.1
Ecu	-	1.2975	-0.0007	968 - 981	1.3014	1.2944	1.2983	-0.7	1.2989	-0.4	1.2947	0.2	-
SDR†	-	0.940342	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4988	+0.0003	984 - 992	1.4992	1.4950	-	-	-	-	-	-	-
Brazil	(Cr)	2301.97	+39.66	142 - 252	2302.52	2258.00	-	-	-	-	-	-	-
Canada	(C$)	2.0685	-0.0051	676 - 693	2.0713	2.0612	2.0702	-1.0	2.0752	-1.3	2.0968	-1.4	87.2
Mexico	(New Peso)	4.9962	+0.0197	876 - 048	5.0048	4.9875	-	-	-	-	-	-	-
USA	($)	1.5004	+0.001	000 - 007	1.5007	1.4965	1.4995	0.7	1.499	0.4	1.4999	0.0	65.7
Pacific/Middle East/Africa													
Australia	(A$)	2.0788	-0.0039	776 - 800	2.0800	2.0612	2.0773	0.9	2.075	0.7	2.073	0.3	-
Hong Kong	(HK$)	11.5921	+0.0084	886 - 955	11.5955	11.5835	11.5791	1.3	11.5736	0.6	11.5246	0.6	-
India	(Rs)	47.0841	+0.0279	475 - 807	47.0807	46.9490	-	-	-	-	-	-	-
Japan	(Y)	157.169	+0.474	095 - 243	157.820	156.100	156.789	2.9	156.059	2.8	152.384	3.0	184.7
Malaysia	(M$)	3.9152	+0.0002	135 - 168	3.9168	3.9000	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5704	-0.0074	676 - 732	2.5732	2.5642	2.5733	-1.4	2.5776	-1.1	2.5862	-0.6	-
Philippines	(Peso)	40.6971	+0.0258	000 - 941	40.8941	40.5000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6266	+0.0036	250 - 281	5.6281	5.6123	-	-	-	-	-	-	-
Singapore	(S$)	2.3313	+0.0016	300 - 325	2.3325	2.3259	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.4692	+0.0091	668 - 716	5.4716	5.4434	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.3367	+0.1471	200 - 534	7.4111	7.1899	-	-	-	-	-	-	-
South Korea	(Won)	1209.36	+1.44	900 - 971	1209.71	1206.27	-	-	-	-	-	-	-
Taiwan	(T$)	40.2244	-0.0045	000 - 488	40.2500	40.1900	-	-	-	-	-	-	-
Thailand	(Bt)	37.8764	+0.0165	600 - 927	37.8927	37.7820	-	-	-	-	-	-	-

†SDR rate for May 12. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

May 13		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	11.7225	-0.065	200 - 250	11.7745	11.7200	11.731	-0.9	11.7262	-0.2	11.7226	0.0	103.0
Belgium	(BFr)	34.3200	-0.06	000 - 400	34.4350	34.2800	34.35	-1.0	34.37	-0.6	34.235	0.2	104.4
Denmark	(DKr)	6.5190	-0.0154	180 - 200	6.5495	6.5016	6.528	-1.7	6.5365	-1.1	6.528	-0.1	103.7
Finland	(FM)	5.4170	-0.0105	120 - 220	5.4491	5.4017	5.4185	-0.3	5.419	-0.1	5.4245	-0.1	78.6
France	(FFr)	5.7170	-0.0118	155 - 185	5.7390	5.7050	5.7237	-1.4	5.7269	-0.8	5.7048	0.2	104.0
Germany	(D)	1.6671	-0.0037	666 - 675	1.6750	1.6622	1.6685	-1.0	1.6685	-0.3	1.6538	0.8	104.7
Greece	(Dr)	247.200	+0.65	900 - 500	248.500	246.900	250.95	-18.2	258.325	-18.0	287.2	-16.2	69.9
Ireland	(I£)	1.4646	+0.0038	637 - 655	1.4709	1.4588	1.4621	2.1	1.4582	1.7	1.4501	1.0	-
Italy	(L)	1595.95	-1.85	520 - 670	1602.25	1591.50	1600.45	-3.4	1607.55	-2.9	1626.95	-1.9	79.1
Luxembourg	(LFr)	34.3200	-0.06	000 - 400	34.4350	34.2600	34.35	-1.0	34.37	-0.6	34.235	0.2	104.4
Netherlands	(Fl)	1.8711	-0.0032	706 - 716	1.8793	1.8664	1.8722	-0.7	1.8726	-0.3	1.8578	0.7	103.9
Norway	(NKr)	7.2218	-0.0173	208 - 228	7.2703	7.2046	7.2258	-0.7	7.2253	-0.2	7.2018	0.3	95.1
Portugal	(Es)	172.100	-0.25	000 - 200	172.500	171.350	173.335	-8.6	175.3	-7.4	180.3	-4.8	92.7
Spain	(Pta)	137.790	-0.01	740 - 840	138.040	137.400	138.215	-3.7	138.88	-3.2	140.765	-2.2	79.9
Sweden	(SKr)	7.7384	-0.0119	348 - 421	7.7917	7.7050	7.7564	-2.8	7.7794	-2.1	7.8434	-1.4	82.6
Switzerland	(SFr)	1.4243	-0.006	238 - 247	1.4307	1.4225	1.4239	0.3	1.4215	0.8	1.4008	1.6	103.3
UK	(£)	1.5004	+0.001	000 - 007	1.5007	1.4965	1.4995	0.7	1.4991	0.3	1.4999	0.0	88.8
Ecu	-	1.1584	+0.0013	581 - 587	1.1591	1.1507	1.155	1.5	1.1539	0.9	1.1555	0.1	-
SDR†	-	1.40976	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9990	-0.0004	989 - 990	0.9990	0.9968	-	-	-	-	-	-	-
Brazil	(Cr)	1534.29	+25.48	428 - 430	1534.30	1534.28	-	-	-	-	-	-	-
Canada	(C$)	1.3787	-0.0043	784 - 789	1.3810	1.3765	1.3807	-1.7	1.3846	-1.7	1.399	-1.5	83.5
Mexico	(New Peso)	3.3300	+0.011	250 - 350	3.3350	3.3250	3.331	-0.4	3.3328	-0.3	3.3402	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	100.4
Pacific/Middle East/Africa													
Australia	(A$)	1.3855	-0.0035	850 - 860	1.3937	1.3837	1.3867	-1.1	1.3914	-1.7	1.402	-1.2	87.4
Hong Kong	(HK$)	7.7262	+0.0007	257 - 267	7.7267	7.7257	7.7292	-0.5	7.7352	-0.5	7.7599	-0.4	-
India	(Rs)	31.3688	-0.0012	650 - 725	31.3725	31.3650	31.4338	-2.5	31.5688	-2.6	-	-	-
Japan	(Y)	104.755	+0.25	730 - 780	105.100	104.100	104.55	2.3	104.1	2.5	101.61	3.0	146.6
Malaysia	(M$)	2.6095	-0.0015	090 - 100	2.6133	2.6045	2.6025	3.2	2.587	3.4	2.6495	-1.5	-
New Zealand	(NZ$)	1.7131	-0.0062	115 - 147	1.7147	1.7109	1.7143	-0.9	1.7188	-1.3	1.7407	-1.6	-
Philippines	(Peso)	27.1250	-	000 - 500	27.2500	27.0000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7502	-	500 - 503	3.7503	3.7500	3.7509	-0.2	3.7532	-0.3	3.7647	-0.4	-
Singapore	(S$)	1.5538	-	533 - 543	1.5543	1.5523	1.5532	0.5	1.5527	0.3	1.5513	0.2	-
S Africa (Com.)	(R)	3.6453	+0.0038	445 - 460	3.6475	3.6340	3.6618	-5.4	3.6878	-4.7	3.7808	-3.7	-
S Africa (Fin.)	(R)	4.8900	+0.095	800 - 000	4.9500	4.8000	4.924	-8.3	4.984	-7.7	-	-	-
South Korea	(Won)	806.050	+0.45	000 - 100	806.300	805.200	809.05	-4.5	812.55	-3.2	831.05	-3.1	-
Taiwan	(T$)	26.8100	-0.02	000 - 200	26.8900	26.8000	26.8755	-2.9	26.976	-2.5	-	-	-
Thailand	(Bt)	25.2450	-0.005	400 - 500	25.2500	25.2300	25.325	-3.8	25.45	-3.2	25.97	-2.9	-

†SDR rate for May 12. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices May 12. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

May 13		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	10	19.00	16.66	4.857	1.989	4649	5.452	21.05	501.5	401.4	22.55	4.150	1.942	4.018	2.913	305.1	2.521
Denmark	(DKr)	52.64	10	8.769	2.557	1.047	2448	2.870	11.08	264.0	211.3	11.87	2.185	1.022	2.115	1.534	160.6	1.327
France	(FFr)	60.03	11.40	10	2.916	1.194	2791	3.273	12.64	301.0	241.0	13.54	2.492	1.166	2.412	1.749	183.2	1.513
Germany	(DM)	20.59	3.911	3.429	1	0.409	957.2	1.122	4.334	103.2	82.65	4.642	0.854	0.400	0.827	0.600	62.81	0.519
Ireland	(I£)	50.28	9.552	8.378	2.442	1	2338	2.741	10.59	252.1	201.9	11.34	2.087	0.977	2.021	1.465	153.4	1.268
Italy	(L)	2.151	0.409	0.358	0.104	0.043	100.	0.117	0.453	10.79	8.634	0.485	0.089	0.042	0.086	0.063	6.562	0.054
Netherlands	(Fl)	18.34	3.485	3.056	0.891	0.365	852.9	1	3.862	91.98	73.64	4.136	0.761	0.356	0.737	0.534	55.97	0.462
Norway	(NKr)	47.50	9.023	7.912	2.307	0.945	2208	2.589	10	238.2	190.7	10.71	1.971	0.923	1.909	1.384	144.9	1.197
Portugal	(Es)	19.94	3.788	3.322	0.969	0.397	927.2	1.087	4.198	100.	80.05	4.497	0.828	0.387	0.801	0.581	60.84	0.503
Spain	(Pta)	24.91	4.732	4.149	1.210	0.495	1158	1.358	5.244	124.9	100.	5.617	1.034	0.484	1.001	0.726	76.00	0.628
Sweden	(SKr)	44.35	8.425	7.388	2.154	0.882	2062	2.418	9.337	222.4	178.0	10	1.841	0.861	1.782	1.292	135.3	1.118
Switzerland	(SFr)	24.09	4.577	4.014	1.170	0.479	1120	1.314	5.073	120.8	96.72	5.433	1	0.468	0.968	0.702	73.51	0.607
UK	(£)	51.49	9.781	8.577	2.501	1.024	2394	2.807	10.84	258.2	206.7	11.61	2.137	1	2.069	1.500	157.1	1.298
Canada	(C$)	24.89	4.727	4.145	1.209	0.495	1157	1.357	5.239	124.8	99.90	5.611	1.033	0.483	1	0.725	75.93	0.627
US	($)	34.33	6.521	5.718	1.667	0.683	1596	1.871	7.227	172.1	137.8	7.740	1.425	0.667	1.379	1	104.7	0.865
Japan	(Y)	327.8	62.26	54.60	15.92	6.518	15239	17.87	69.00	1644	1316	73.90	13.60	6.365	13.17	9.548	1000.	8.262
Ecu		39.67	7.535	6.608	1.927	0.789	1844	2.163	8.351	198.9	159.2	8.945	1.646	0.770	1.594	1.156	121.0	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, Swedish Kronor and Belgian Franc per 10; Escudo, Lira and Peseta per 100.

EMS EUROPEAN CURRENCY UNIT RATES

May 13	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.790658	-0.000571	-2.22	5.56	15
Netherlands	2.19672	2.16857	+0.00031	-1.28	4.55	-
Belgium	40.2123	39.7632	+0.0048	-1.12	4.38	8
Germany	1.94964	1.93199	+0.00039	-0.91	4.15	-
France	6.53883	6.62595	+0.0053	1.33	1.85	-11
Denmark	7.43679	7.55700	-0.001	1.62	1.57	-11
Portugal	192.854	198.998	-0.484	3.19	0.02	-21
Spain	154.250	159.203	+0.069	3.21	0.00	-22
NON ERM MEMBERS						
Greece	264.513	285.357	+0.451	7.88	-4.33	-
Italy	1793.19	1848.16	+0.98	3.07	0.14	-
UK	0.786749	0.771541	-0.001853	-1.93	5.25	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5995	0.5992	-0.0001	0.6013	0.5988	40,371	114,838
Sep	0.5976	0.5988	-0.0013	0.5990	0.5990	899	6,164
Dec	0.5990	0.6009	-0.0004	0.6009	0.5990	2	213

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.9612	0.9557	-0.0049	0.9625	0.9536	29,259	58,622
Sep	0.9661	0.9628	-0.0062	0.9675	0.9615	1,273	5,121
Dec	0.9720	0.9710	-0.0052	0.9720	0.9703	6	969

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS May	CALLS Jun	CALLS Jul	PUTS May	PUTS Jun	PUTS Jul
1.425	7.34	7.26	7.42	-	-	0.15
1.450	4.84	4.87	5.25	-	0.07	0.46
1.475	2.39	2.73	3.38	-	0.42	1.07
1.500	0.11	1.20	1.98	0.17	1.33	2.10
1.525	-	0.38	1.03	2.51	2.95	3.58
1.550	-	0.07	0.46	4.96	5.13	5.49

Previous day's vol., Calls 40,095 Puts 12,488. Prev. day's open int., Calls 496,530 Puts 433,322

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7019	0.7016	-0.0002	0.7030	0.6995	18,119	36,839
Sep	0.7030	0.7035	-0.0010	0.7045	0.7025	129	731
Dec	-	0.7075	-	-	0.7075	24	337

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.4994	1.4990	-0.0004	1.5000	1.4956	13,146	42,346
Sep	1.4976	1.4960	-0.0022	1.4980	1.4944	1,273	2,290
Dec	-	1.4960	-	-	1.4960	6	39

WORLD INTEREST RATES

MONEY RATES

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

BASE LENDING RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ф Bargains done the previous day.

British Funds, etc

Treasury 13¾% Stk 2000/03 - £125½

Corporation and County Stocks

London County 2½% Cons Stk 1920(or after) - £26½ (9My94)

Birmingham Corp 2½% Stk 1926(or after) - £26½

Birmingham Corp 3½% Stk 1946(or after) - £38½

Kansai Electric Power Co Inc 7⅛% Nts 1998 (Br £ Var) - £96⅞ ⅞ (11My94)

Kansai International Airport Co Ld 6¼% Gtd Bds 1999(Br$5000) - $94⅞ 95⅛ (11My94)

Kleinwort Finance & Securities PLC 4% Cnv Bds 2003(Reg Int Mult$1000) - $77.981444 (10My94)

Kyushu Electric Power Co Inc 8% Nts 1997 (Br £ Var) - £99¾ (11My94)

Ladbroke Group PLC 5⅛% Subord Cnv Bds 2004(Br£1000&5000) - £135⅛

Ladbroke Group PLC 8⅞% Bds 2003 (Br £ Var) - £89.55 92⅞

Ladbroke Group Finance(Jersey)Ld 9% Cnv

UK Public Boards

Foreign Stocks, Bonds, etc- (coupons payable in London)

Listed Companies(excluding Investment Trusts)

Sterling Issues by Overseas Borrowers

European Investment Bank 9% Ln Stk 2001 (Reg) - £102 ½ (9My94)

Japan Development Bank 7% Gtd Bds 2000 (Br £ Var) - £93⅝

TSB Group PLC 10⅝% Subord Ln Stk 2008 - £109⅝ф

TT Group PLC 10.875% Cnv Cum Red Prf Shs £1 1997 - 291 (9My94)

Tate & Lyle PLC ADR (4:1) - $26½ (9My94)

Tate & Lyle PLC 8% Uns Ln Stk 2003/08 - 280 (11My94)

Taylor Woodrow PLC 9½% 1st Mtg Deb Stk 2014 - £100¼ (10My94)

Tesco PLC ADR (1:1) - $3.45 (9My94)

Investment Trusts

British Empire Sec & General Trust 10⅛% Deb Stk 2011 - £110½ (9My94)

British Investment Trust PLC 11.125%. Secured Deb Stk 2012 - £119½ (10My94)

Clemente Korea Emerging Growth FundShs *$10 (Reg Lux) - $13¾ 13.7 13.85 (11My94)*

Dunedin Investment Trust PLC Wts to Subscribe for 1 Inc & 1 Cap - 61 (11My94)

Dunedin Income Growth Inv Tst PLC 11.5% Deb Stk 2016 - £122½ (9My94)

USM Appendix

Rule 535(2)

Dart Valley Light Railway Ld Ord £1 - £2½ (10My94)

Dawson Hldgs PLC Ord 10p - £4.8 (11My94)

Foxcast Broadcast Corporation PLC Ord 5p - £0.49ф

Gander Holdings PLC Ord 1p - £0.07

Greenstar Hotels PLC Ord 10p - £0.2 (9My94)

Guernsey Gas Light Co Ld Ord 10p - £0.69 0.7 0.705

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Aust Found Inv £1.0(9.5)

City Dev S$7.505(12.5)

Dainippon Screen Man Y732.08(12.5)

Harland(John H) $22.11(12.5)

Kulim Malay Ord 74.0(12.5)

Leighton Hldgs A$2.19(10.5)

Niugini Mining $2.23(10.5)

Nth Flinders Mine A$9.32(12.5)

Oil Search 42.0(9.5)

Palabora Mining £10.5(9.5)

Playmates Hldgs HS2.225(10.5)

Portman Mining A$0.998(9.5)

Selangor Coconuts 80.0(6.5)

Singapore Land S$8.7759(10.5)

Storer Comms SK432.0775(10.5)

Walhalla Mining 8.75(10.5)

By Permission of the Stock Exchange Council

FT-SE ACTUARIES INDICES

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices and the FT-SE Actuaries Industry Baskets are calculated by The International Stock Exchange of the United Kingdom and Republic of Ireland Limited.

The FT-SE Actuaries All-Share Index is calculated by The Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices, the FT-SE Actuaries Industry Baskets and the FT-SE Actuaries All-Share Index are members of the FT-SE Actuaries Share Indices series which are calculated in accordance with a standard set of ground rules *established by The Financial Times Limited and London Stock Exchange* in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

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MARKET REPORT

Big programme trade unsettles equity market

By Steve Thompson

UK share prices fell sharply in late trading, ignoring a solid opening on Wall Street and in US Treasury bonds after encouraging US inflation numbers for April.

Dealers, at first perplexed by the sudden slide in the UK market, said that most of the pressure came from the futures market where one marketmaking firm unloaded the future before unwinding a substantial programme trade involving both FT-SE 100 and mid cap stocks.

At the close of a busy trading session, the FT-SE 100 index closed 18.6 lower at 3,119.2, having been in positive territory at the start of the day. The FT-SE Mid 250 index was also badly hit, closing 20.6 off at 3,721.8.

Gilt-edged stocks, on the other hand, were in good form throughout the session, opening around ¼ higher and moving ahead strongly to show gains in the region of ¾ before settling around a half-point higher on balance. The Bank of England said its next auction, on May 25, would involve the sale of a short-dated convertible. Details of the auction are expected next week.

The equity market began the day in good heart, with marketmakers marking share prices higher in response to the strong performance by US bonds and Wall Street overnight and following the highly encouraging economic data on producer prices and the restated retail sales numbers for March.

But the early strength of the market was gradually eroded by the effects of a disappointing first quarter performance by Unilever, one of the UK's leading companies, and the emergence of end-account profit-taking.

The FT-SE 100 rose to the day's best level, 3,141.9, up 4.1 early in the session but then ran into small but persistent selling, triggered partly by the disappointing Unilever figures but also by selling ahead of the US inflation numbers.

US Treasury bonds and the Dow Jones index moved ahead strongly, driving European bond and equity markets with them following the lower than expected inflation figures for April, before stalling.

The big downwards pressure in London was exerted in mid-afternoon, when a big seller of the FT-SE future drove the index sharply lower and prompted a similar retreat in the cash market.

At its worst the FT-SE 100 was down 21.6 at 3,116.2, before a late rally. Most marketmakers were unperturbed by the late slide in the market. "It was looking tired and only needed a small push to go sharply lower," said one senior trader.

Others, however, remained extremely cautious, pointing out that although the FT-SE 100 had closed well above the 3,100 level there was no real confidence in the market that international bonds had seen the worst of the recent turbulence.

Turnover in the market yesterday was 671.7m shares, surprisingly high given that it was the last session of the three-week account.

The two oil sectors of the market gave another strong performance as crude oil prices moved towards the $17 a barrel mark. The majors attracted fresh support from the US while the Lasmo defence document, responding to the all-paper offer from Enterprise Oil, saw another big turnover in Lasmo shares.

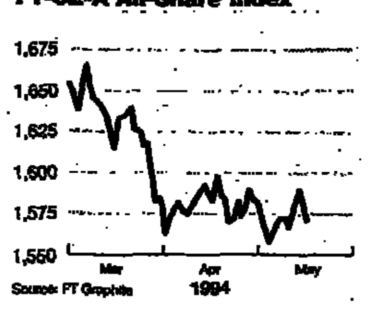
Over the week the FT-SE 100 index has risen 17.2 while the Mid Cap has fallen 49.2. Dealers said the outperformance of the leading stocks was a reflection of sharply increased institutional activity.

Account Dealing Dates

*First Dealings:	Apr 25	May 16	Jun 6
Option Declarations:	May 12	Jun 2	Jun 16
Last Dealings:	May 13	Jun 3	Jun 17
Account Day:	May 23	Jun 13	Jun 27

*New time dealings may take place from two business days earlier.

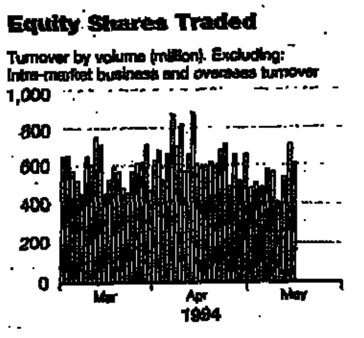
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE Mid 250	3721.8	-20.6
FT-SE-A 350	1580.0	-9.3
FT-SE-A All-Share	1571.63	-8.82
FT-SE-A All-Share yield	3.70	(3.68)
FT Ordinary index	2471.2	-22.9
FT-SE-A Non Fins p/e	20.30	(20.41)
FT-SE 100 Fut Jun	3118.0	-33.0
10 yr Gilt yield	8.11	(8.26)
Long gilt/equity yld ratio:	2.26	(2.30)

FT-SE 100 Index

Closing index for May 13	3119.2
Change over week	+13.2
May 12	3137.8
May 11	3130.5
May 10	3136.3
May 9	3097.8
High*	3147.7
Low*	3080.7

*Intra-day high and low for week

TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change		Vol. 000s	Closing price	Day's change
ASDA Group†	10,000	55¾	-1¼	Lonrho	4,100	137	-1½
Abbey National†	4,100	403		Lucas	2,200	185½	-4½
Albert Fisher	1,100	57		MEPC†	1,800	478	-4
Allied-Lyons†	1,500	561	-3	MB	1,100	158½	-1½
Anglian Water	532	473	-4	Manweb	227	668	-8
Argos	1,400	356	-½	Marks & Spencer†	2,900	435	+1½
Argyll Group†	5,600	253		Midlands Elect.	170	585	-3
[illegible]				[illegible]			

EQUITY FUTURES AND OPTIONS TRADING

A mid-afternoon sell-off in stock index futures brought a sharp retreat in both the June futures contract and the cash market as the three week equity account ended.

At the close, the June contract on the FT-SE 100 stood at 3,118, down 33 on its previous close and at a small discount to the cash market. Volume was 15,705 contracts.

In the traded options, turnover was 27,095. The FT-SE 100 option saw business of 10,760, while Lasmo continued to be the most active stock option. Turnover reached 2,415 lots.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3149.0	3118.0	-33.0	3154.0	3110.0	15705	53511
Sep	3165.0	3134.0	-33.0	3165.0	3165.0	702	1419
Dec	3176.0	3146.0	-33.0	3176.0	3176.0	1	201

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		3730.0	-23.0			0	3918

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

[illegible]

■ FT-SE 100 INDEX OPTION (LIFFE) (*3120) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

[illegible]

FT-SE-A INDICES - LEADERS & LAGGARDS

Percentage changes since December 31 1993 based on Friday May 13 1994

[illegible]

FT-SE Actuaries Share Indices — The UK Series

[illegible]

■ **FT-SE Actuaries All-Share**

[illegible]

■ **Hourly movements**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3141.5	3139.1	3137.6	3129.1	3130.2	3135.3	3140.2	3132.9	3119.9	3141.9	3116.2
FT-SE Mid 250	3745.2	3747.2	3746.1	3739.3	3737.4	3735.8	3733.1	3730.4	3720.7	3747.5	3720.3
FT-SE-A 350	1591.1	1590.3	1589.5	1585.3	1585.9	1587.7	1589.3	1586.2	1580.2	1591.3	1578.7

■ **FT-SE Actuaries 350 Industry baskets**

[illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

[illegible]

New gain on Portals bid news

A sudden surge in the share price of Portals, the specialist paper group, prompted the company to announce that it had received a bid approach. The statement threw a spotlight on De La Rue, bank note printer, Arjo Wiggins Appleton, the paper producer, and the Dutch group KNP BT, as potential suitors.

Portals, which controls 50 per cent of the world market for bank note paper, first saw its shares rise sharply on Tuesday. The gain was apparently on the back of rumours that the company would secure a contract linked to the redesign of the US dollar. Yesterday, the shares jumped a further 99 to 765p. Market sources said concern over the earlier share price rise had prompted a Stock Exchange inquiry. The Exchange would only say it "automatically looks at any unusual share price movements".

Arjo refused to comment on the speculation, although company sources were said to have denied the rumour. De La Rue, which has a cash pile estimated at around £200m, was refusing to be drawn.

Shares in Arjo slipped 1½ to 297p. De La Rue fell 7 to 878p after hitting a low of 872p. Analysts said Portals had a break-up value of 800p a share, but could attract around 950p, which would translate to an offer of about £615m.

Unilever tumbles

Anglo-Dutch consumer products group Unilever was the biggest casualty in the FT-SE 100 list yesterday after unveiling disappointing first quarter results. Underlying pre-tax profits below the lowest market predictions saw the shares slump and remain under pressure all day as analysts slashed full-year forecasts. The shares closed 57 off at 1023p with turnover a busy 3.7m.

Flat trading in the company's key markets was compounded by tough conditions in the US detergents market. The results were accompanied by a cautious trading statement which further depressed sentiment. Mr Carl Short at Strauss Turnbull, a long-term Unilever bull, moved the stock off his short-term buy list. But he added: "Although the news flow from the company could be dull for a while, it's important to remember that the first quarter results are a poor guide to long-term trends."

At Smith New Court, Mr Tim Potter said that some of the worrying trends seen at the end of last year were continuing. "Even if there is recovery in its major markets, trading conditions will remain intensively difficult because consumers are value-driven. We remain bearish." He shaved his full-year forecast back to £2.35bn, with Strauss pulling back to a similar level.

Guinness speculation

There were contradictory stories in Guinness, with turnover reaching 5.5m shares, and the share price shading 2 to 496p. Some traders suggested that the drinks group was delivering a bearish message of tough trading conditions to institutional shareholders ahead of its agm on Thursday. However, others in the market were predicting a different outcome, pointing to the expected recovery in the Spanish beer market, as well as better news on spirits sales.

There was also speculation that LVMH, Guinness's French partner, may be about to unload the 4 per cent of Guinness shares it has agreed to sell as part of the two groups' recent restructuring agreement – although the deadline to do this is not until June 1995.

A stronger US dollar and a rise in the price of Brent crude lifted oil stocks. BP was helped further by an upbeat presentation to analysts and rose 2 to 406p. Enterprise gained 2 to 431p as the market studied the defence document responding to its hostile bid for Lasmo. Lasmo was very heavily traded, closing 2 off at 154p with volume reaching 16m.

Newspaper stocks were boosted by a well-received trading statement from the Telegraph and the annual meeting at Pearson, owner of the *Financial Times*, which both cited the upturn in advertising. Telegraph shares gained 9 to 620p and thinly-traded Daily Mail Trust improved 37 to 1465p in the ordinaries. However profit-taking saw Pearson ease back 5 to 673p.

Mining group RTZ gained 10 to 858p on the continued rise in the price of copper and other base metals on world markets.

Pharmaceuticals group Wellcome jumped 7 to 586p in response to a positive medical journal report. An article in *The Lancet*, the UK medical industry journal, said a treatment associated with the company reduced the death rate and recurrence rate for patients with a form of cancer.

Participation in a big sell programme said to have been carried out by US investment bank Goldman Sachs and a couple of badly handled sell orders hit Lloyds Bank which fell 10 to 567p.

Rolls-Royce gave up 7 to 182p, after trade of 5.1m, on fears that sales of spare parts were below expectations. Further selling came from SG Warburg which advised investors to switch out of Rolls and into British Aerospace.

BAe eased 7 to 503p on light profit-taking after its strong run earlier this week, which followed a two-day visit by analysts to the group's defence operations. Sentiment was also boosted by speculation that BAe had won a lucrative order to re-fit the Tornado fighter aircraft.

Instrumentation and project engineering company Whessoe tumbled 35 after reporting a fall in interim profits and saying it is unlikely there will be an improvement in its performance in the short term.

News that the recovery in west European car demand was faltering hit several automotive-related stocks. These included dealers T Cowie, which shed 8 to 300p and Lex Service, down 11 at 502p.

There was good volume in Cable and Wireless as dealers reported a large line of stock in the market. Turnover was just short of 7m, with the shares sliding 5 to 455p.

Bredero Properties retreated 4½ to 10½p after announcing an agreed takeover by Slough Estates, up 8 at 248p. Slough, which offered 10p a share, already owns 49.5 per cent of the issued ordinary share capital of Bredero.

■ **CHIEF PRICE CHANGES YESTERDAY**

London (Pence)

Rises			
Arcon Intl	47	+	3
Bluebird Toys	808	+	55
Castle Comm	295	+	12
Daily Mail A	1233	+	75
Manganese Bronze	145	+	5
On Demand	99	+	4
Portals	765	+	99
Scottish Radio	600	+	15
Sharelink	313	+	16
Falls			
Bredero Props	10½	–	4½
British Mohair	185	–	11
Christies Intl	184	–	8
Eng China Clays	466	–	30
Highland Dist	390	–	14
Kleinwort Benson	453	–	11
Northern Foods	213	–	8
PWS	62	–	11
Tottenham Htspr	88	–	3
Unilever	1023	–	57
Whessoe	184	–	35

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (38). BUILDING & CNSTRN (2) Edmond, Spandex, BLDG MATLS & MCHTS (3) Hewetson, Rosial, Russell (A), DIVERSIFIED INDLS (1) Fletcher Challenge, ELECTRNC & ELECT EQUIP (2) Electrolux, MTL Instr., ENGINEERING (5) Excalibur, Expamet Intl., Ipeco, Ransomes 8¼p Prf., Thyssen, ENG, VEHICLES (1) Volvo, EXTRACTIVE INDS (3) Cons. Murchison, MIM, Milagro, HOUSEHOLD GOODS (1) Delaney, INVESTMENT TRUSTS (4) Gartmore Am. Zero Prf., German, Do Wrts, Tor, LEISURE & HOTELS (2) Northern, Spear (JW), MEDIA (1) Telegraph, OIL EXPLORATION & PROD (4) Cairn Energy, Goal Pet., Ranger, Tullow, OIL, INTEGRATED (3) Shell Trans., Total, Woodside, OTHER FINANCIAL (1) Paramba, PRTNG, PAPER & PACKG (2) Kleerfold, Portals, RETAILERS, FOOD (1) Morrison (W) 5¼pc. Prf., SUPPORT SERVS (1) BNB Res., TRANSPORT (2) Goode Durrant, Jacobs (JI).

NEW LOWS (116). GILTS (1) BANKS (1) ABN Amro, BUILDING & CNSTRN (8) Barcom, Barratt Dev., Beazer, Bellwinch, Berkeley, Bryant, Countryside Props., Prowting, Wimpey (G), BLDG MATLS & MCHTS (6) Caradon, Hepworth, Newman-Tonks, Tarmac, Unigroup, Wolseley, DISTRIBUTORS (3) Diploma, Elect'comps., Heritage, ELECTRNC & ELECT EQUIP (5), ENGINEERING (4) Dobson Park, Rubicon, TI, Whessoe, EXTRACTIVE INDS (3) FOOD MANUF (4) Acatos & Hutcheson, Booker, Nestlé, Unilever, HEALTH CARE (2) Haemocell, Scholl, HOUSEHOLD GOODS (1) Black (P), INSURANCE (7) INVESTMENT TRUSTS (17) INVESTMENT COMPANIES (7) LIFE ASSURANCE (1) Refuge, MEDIA (2) EMAP, Mirror, MERCHANT BANKS (1) Hambros 7¼pc Prf., OIL EXPLORATION & PROD (2), OTHER FINANCIAL (3) OTHER SERVS & BUSNS (2) Porth, Waste Management, PHARMACEUTICALS (1) Celltech, PRTNG, PAPER & PACKG (2) AG, Crest Packaging, NMC 7¼pc Prf., PROPERTY (8) RETAILERS, FOOD (1) Tesco Cap. 9pc Bd. 2005, RETAILERS, GENERAL (6) Christies Intl., Hughes (T.J), Lloyds Chemists, Rhino, Sothebys A, Wyevale Gdn. Centres, SUPPORT SERVS (5) Davis Service, Elec. Data Procg., Reliex, Rentokil, Virtuality, TEXTILES & APPAREL (1) Sherl, TRANSPORT (4) British Airways, Do Cap. 9¾pc Cnv., Clarkson (H), Forth Ports, WATER (1) Bristol, AMERICANS (3) CANADIANS (8).

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✠) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Thornton Unit Managers Ltd (1200)F

33 Queen Street, London EC4R 1AX 071-246 3000

Waverley Unit Tst Mngmt Ltd (1000)F

13 Charlotte Sq, Edinburgh 031-225 1551

Whittingdale Unit Tst Mgmt Ltd (0830)F

2 Honey Lane, London EC2V 8BT 071-600 0482

Woolwich Unit Trust Managers Ltd (1700)H

2 White Oak Square, Swanley BR8 7AG 081-298 4000

OTHER UK UNIT TRUSTS

INSURANCES

Abbey Life Assurance Co Ltd

80 Holdenhurst Road, Bournemouth 0202 292373

Abbey National Life Plc

Canada Life Group

Century Life Plc

5 Old Bailey, London EC4M 7BA

Eagle Star Life Assurance Co Ltd - Contd.

Hill Samuel Life Assur. Ltd - Contd.

London Life - Contd.

NPI - Contd.

Provident Mutual Life Assc. Assn. - Contd.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Scottish Amicable - Contd.

Scottish Equitable plc

Scottish Life Investments

Sun Alliance Group - Contd.

Albany International Assurance Ltd

Allied Dunbar International Assurance Ltd (z)

Royal Skandia Life Assurance Ltd (z)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (REGULATED)(**)

JERSEY (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

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LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

NORTH AMERICA

UNITED STATES (May 13 / US$)

CANADA (May 13 / Can. $)

EUROPE

AUSTRIA (May 13 / Sch)

BELGIUM/LUXEMBOURG (May 11 / Frs.)

DENMARK (May 13 / Kr)

FINLAND (May 13 / Mks)

FRANCE (May 13 / Frs.)

GERMANY (May 13 / Dm.)

ITALY (May 13 / Lire)

NETHERLANDS (May 13 / Fls.)

NORWAY (May 13 / Kroner)

SPAIN (May 13 / Pts.)

SWEDEN (May 13 / Kronor)

SWITZERLAND (May 13 / Frs.)

AFRICA

SOUTH AFRICA (May 13 / Rand)

PACIFIC

JAPAN (May 13 / Yen)

AUSTRALIA (May 13 / Aus$)

HONG KONG (May 13 / H.K.$)

MALAYSIA (May 13 / MYR)

SINGAPORE (May 13 / S$)

INDICES

	May 13	May 12	May 11	1994 High		1994 Low	
Argentina							
General (29/12/77)	(u)	19237.82	18858.78	25470.48	18/2	17758.90	20/4
Australia							
All Ordinaries(1/1/80)	2070.0	2041.4	2034.6	2340.60	3/2	1988.10	5/5
All Mining(1/1/80)	1006.8	984.5	964.1	1136.10	3/2	904.60	5/5
Austria							
Credit Aktien(30/12/84)	418.86	(c)	418.08	480.86	2/2	413.44	9/5
Traded Index(2/1/91)	1067.83	(c)	1085.77	1222.25	1/2	1053.86	9/5
Belgium							
BEL20 (1/1/91)	(c)	(c)	1533.45	1542.86	9/2	1462.76	30/3
Brazil							
Bovespa (29/12/83)	(u)	16379.0	15461.0	17257.00	2/5	3800.99	3/1
Canada							
Metals Mnls♦(1975)	(u)	3457.08	3455.34	3879.59	18/3	3288.88	20/4
Composite♦ (1975)	(u)	4162.50	4168.20	4609.80	23/3	4105.90	20/4
Portfolio§§ (4/1/83)	(u)	1922.00	1928.27	2182.89	1/2	1913.37	19/4
Chile							
IPGA Gen (31/12/80)	(u)	4142.8	4114.7	4867.80	4/2	3801.20	4/4
Denmark							
CopenhagenSE(3/1/83)	373.09	(c)	374.84	415.79	2/2	370.74	3/1
Finland							
HEX General(28/12/90)	1856.8	(c)	1839.6	1972.00	4/2	1601.10	3/1
France							
SBF 250 (31/12/90)	1447.84	(c)	1440.92	1585.20	2/2	1402.98	21/4
CAC 40(31/12/87)	2187.00	(c)	2176.74	2355.93	2/2	2061.94	31/3
Germany							
FAZ Aktien(31/12/58)	851.51	(c)	849.70	888.72	2/5	778.33	2/3
Commerzbank(1/12/53)	2444.9	(c)	2435.0	2485.50	2/5	2221.20	2/3
DAX (30/12/87)‡	2258.75	(c)	2243.63	2289.85	2/5	2020.33	2/3
Greece							
Athens SE(31/12/80)	934.19	(c)	950.77	1194.58	18/1	884.19	13/5
Hong Kong							
Hang Seng(31/7/64)	9134.72	8878.86	8906.16	12201.09	4/1	8369.44	4/5
India							
BSE Sens.(1979)	3808.5	(c)	3781.1	4287.90	28/2	3454.60	5/1
Indonesia							
Jakarta Comp.(10/8/82)	467.40	(c)	465.53	612.89	5/1	454.32	28/4
Ireland							
ISEQ Overall(4/1/88)	1794.95	1792.74	1802.15	2082.16	20/1	1792.74	12/5
Italy							
Banca Comm Ital (1972)	808.85	803.02	810.07	817.17	10/5	588.85	10/1
MIB General (4/1/94)	1305.0	1298.0	1307.0	1318.00	10/5	944.00	10/1
Japan							
Nikkei 225 (16/5/49)	20270.75	20224.24	20150.13	20677.77	16/3	17369.74	4/1
Nikkei 300 (1/10/82)	300.73	301.08	298.59	304.25	1/3	268.22	4/1
Topix (4/1/68)	1643.20	1644.56	1635.04	1663.27	16/3	1445.97	4/1
2nd Section (4/1/68)	2324.91	2321.60	2308.20	2324.91	13/5	1873.33	4/1
Malaysia							
KLSE Comp.(4/4/86)	1004.55	996.92	1008.67	1314.46	5/1	928.33	4/4
Mexico							
IPC (Nov 1978)	(u)	2235.70	2179.57	2881.17	8/2	1987.33	20/4
Netherlands							
CBS TtlRtnGen(End 83)	437.6	(c)	437.0	464.90	31/1	417.40	5/4
CBS All Shr (End 83)	280.4	(c)	280.3	294.80	31/1	268.00	31/3
New Zealand							
Cap. 40 (1/7/86)	2105.89	2093.50	2063.84	2438.64	3/2	2012.82	5/5
Norway							
Oslo SE(Ind)(2/1/83)	1129.35	(c)	1110.80	1211.10	28/2	1072.67	3/1
Philippines							
Manila Comp (2/1/85)	2937.28	2949.16	2952.27	3308.37	4/1	2507.38	9/3
Portugal							
BTA (1977)	2899.5	2905.1	2912.8	3226.60	18/2	2819.90	3/1
Singapore							
SES All-S'pore(2/4/75)	568.73	563.78	566.15	641.61	4/1	523.29	4/4
South Africa							
JSE Gold (28/9/78)	1893.0♥	(c)	1878.0	2331.00	4/1	1749.00	14/2
JSE Indl. (28/9/78)	6710.0♥	(c)	6637.0	6710.00	13/5	5448.00	19/1
South Korea							
KoreaCmpEx(4/1/80)**	960.45	952.45	948.91	974.26	2/2	865.37	2/4
Spain							
Madrid SE (30/12/85)	328.03	327.16	321.48	358.31	31/1	309.73	20/4
Sweden							
AffarsvarldnGen (1/2/37)	1535.2	(c)	1505.10	1603.90	31/1	1403.60	31/3
Switzerland							
Swiss Bk Ind (31/12/58)	1268.76	(c)	1258.94	1423.34	31/1	1239.75	9/5
SBC General (1/4/87)	950.01	(c)	938.37	1083.29	31/1	917.58	9/5
Taiwan							
WeightedPr.(30/6/66)**	6061.95	6004.38	6024.47	6454.82	8/1	5194.83	19/3
Thailand							
Bangkok SET (30/4/75)	1259.17	1232.72	1235.76	1753.73	4/1	1198.59	4/4
Turkey							
Istanbul Cmp.(Jan 1986)	15853.1	16335.5	15733.4	20883.80	13/1	12980.70	24/3
WORLD							
MS Capital Int (1/1/70)§	609.5*	609.6	606.6	641.00	1/2	591.60	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1469.03	1460.98	1456.12	1540.19	31/1	1393.80	2/3
Euro Top-100 (26/6/90)	1268.81	1263.45	1258.57	1311.01	2/2	1202.49	2/3
JCapelDrgns (31/12/88)	(u)	307.00	308.39	395.18	5/1	280.28	21/3
Barings Emerg.(7/1/92)	147.67	145.28	146.30	182.72	14/2	141.85	21/4

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
May	2185.0	2191.0	+13.5	2210.0	2184.0	17,631	23,971
Jun	2166.5	2174.0	+13.5	2189.0	2166.5	866	31,468
Jul	2164.0	2171.5	+13.5	2164.0	2164.0	1	360

Open interest figures for previous day.

** Sat May 7 : Taiwan Weighted Price 5081.73; Korea Comp Ex 938.41. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEO Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: May 13 - 2257.33 +9.31

US INDICES

Dow Jones	May 12	May 11	May 10	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3652.84	3629.04	3656.41	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	96.58	96.48	96.82	105.81 (21/1)	96.48 (11/5)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1573.39	1567.65	1598.70	1862.29 (2/2)	1546.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	177.76	178.55	183.56	227.08 (3/1)	177.76 (12/5)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3682.68 (3678.42) Low 3652.84 (3609.71) (Theoretical♦)
Day's high 3663.84 (3662.06) Low 3629.04 (3623.10) (Actual♦)

Standard and Poors	May 12	May 11	May 10	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	443.75	441.49	446.01	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	518.81	516.31	521.05	580.59 (2/2)	510.05 (21/4)	588.89 (2/2/94)	3.62 (21/6/32)
Financial	43.33	43.39	43.70	48.56 (31/1)	41.39 (4/4)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	245.55	244.51	246.94	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.48 (25/4/42)
Amex Mkt Val	433.35	433.17	436.19	487.89 (2/2)	427.80 (20/4)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	719.61	717.0	725.00	803.93 (18/3)	705.51 (20/4)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	May 6	Apr 29	Apr 22	Year ago
Dow Jones Ind. Div. Yield	2.77	2.76	2.79	3.04
	May 11	May 4	Apr 27	Year ago
S & P Ind. Div. yield	2.54	2.48	2.49	2.52
S & P Ind. P/E ratio	23.52	23.99	23.94	26.25

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Jun	443.30	440.60	-2.60	447.15	440.60	68,013	197,497
Sep	446.65	443.20	-2.35	446.75	443.20	2,448	15,796
Dec	449.60	446.30	+1.00	449.80	446.30	191	7,222

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Close price	Change on day
Philip Morris	5,600,000	50⅝	+2⅝
ADT Ltd	4,111,600	9⅝	+¼
Storage Tec	3,713,600	28⅞	+3
Telefonos	3,573,600	65⅞	+1
Merger Fin	3,258,900	24⅝	+1⅛
RJR Nabisco	2,960,600	6	+⅛
Grt Lake	2,761,000	55⅛	-3⅛
EMC Corp	2,581,300	17	-½
Reading Bts	2,369,900	5⅝	—
Motorola	2,316,300	44⅝	+½

■ TRADING ACTIVITY

● Volume (million)	May 12	May 11	May 10
New York SE	272.770	277.399	295.165
Amex	15.194	18.465	14.092
NASDAQ	270.705	312.284	300.042
NYSE			
Issues Traded	2,825	2,818	2,824
Rises	1,185	661	1,318
Falls	980	1,548	882
Unchanged	660	609	624
New Highs	27	24	21
New Lows	142	198	178

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

WORLD STOCK MARKETS

AMERICA

Inflation data fails to lift US equities

Wall Street

More good news on inflation failed to provide stocks with much of a lift yesterday morning, even though the data lifted bond prices, *writes Patrick Harverson in New York.*

By 1pm, the Dow Jones Industrial Average was up only 3.87 at 3,656.71, having spent the morning session no more than a few points either side of opening values. The more broadly based Standard & Poor's was also little changed at the halfway mark, down 0.25 at 443.50, while the American Stock Exchange composite was down 1.05 at 432.30 and the Nasdaq composite down 3.39 at 716.22. Trading volume was 155m shares by 1pm, and declines outpaced rises by 1,011 to 888.

For the second consecutive day, there was some surprisingly good news on inflation. After Thursday's unexpected 0.1 per cent decline in the April producer price index, yesterday's news of a 0.1 per cent increase in April's consumer price index also confounded analysts, who had forecast an increase of 0.3 per cent in the CPI.

Taken together, the data was the best indication yet that inflation is not a major threat to financial markets. Yet, apart from a brief surge of buying at the opening and again mid-morning, stocks did not gain much benefit from the figures. This was mostly because bond prices failed to make much headway, as fixed-income investors turned their attention to next Tuesday's meeting of the Federal Reserve's policy-making open market committee. The FOMC is expected to sanction a rate increase at the meeting, and investors are nervous about how another tightening will be received by the markets.

Although bond prices began to recover later in the morning, stock failed to derive much strength from the Treasury market. By midday the benchmark 30-year bond was a quarter of a point higher, the yield was down to 7.515 per cent and blue-chip stocks were struggling to stay in positive territory. Secondary indices fared even less well, with the Nasdaq composite under particular pressure because of weakness in technology stocks.

Among individual issues, Time Warner climbed $1 to $38¾ amid renewed speculation that the entertainment group faces a possible bid from its major shareholder, Seagram. Yesterday's story was that Mr Barry Diller, head of the QVC home shopping channel, had accumulated Time Warner shares with the intention of backing Seagram.

Philip Morris was another notable gainer, rising $1⅞ to $52¼ on hopes that the company will split its tobacco and food interests.

Sprint firmed $⅜ to $36⅝ on reports that the company is discussing an alliance with Electronic Data Systems which will combine Sprint's telecommunications know-how with EDS' data-processing power to compete in the multi-media business. EDS shares edged $⅛ higher to $33.

On the Nasdaq market, concern about slow growth in the computer networking products business hit technology stocks hard. Cisco tumbled $5⅛ to $23⅛, Wellfleet fell $6⅞ to $64⅞, and 3 Com dropped $2⅛ to $54⅞.

Canada

Toronto stocks were mixed at midday as weak gold and transport stocks offset gains in conglomerates and mining issues.

The rally in Canadian bonds, which had spurred earlier gains in equities, had lost some momentum by noon.

The TSE 300 composite index was up 4.10 at 4,166.70 in volume of 29.5m shares valued at C$309m. Declining issues led advances by 269 to 261 with 286 stocks unchanged.

Of Toronto's 14 sub-groups, seven sectors were ahead by midday.

Weak sectors included gold and silver, down 72.39 at 9422.11, and transport, which eased 12.53 to 4,002.52.

Brazil easier ahead of key congress vote

Brazil

São Paulo eased from the day's highs to stand down 3.3 per cent by mid-morning as prices continued to test support and resistance levels.

The Bovespa index of the 56 most-active shares was down 538 at 15,840.

Chart analysts noted that the index had a support level between 15,800 and 16,000 and resistance barriers between 16,800 and 17,300. "With the lack of important economic and political news, trading has become more technically-driven over the last few days," one chart analyst said.

Investors were continuing to wait for congress to vote on a presidential decree creating the country's single price index. Reports said that the vote, which had been originally scheduled for May 11, was now postponed until next Tuesday.

Analysts said that the approval of the decree was a major element in the government's plan to move forward with its anti-inflation package.

Among active issues Telebras was down 4.6 per cent at Cr45.90 and Petrobras was down 4.3 per cent at Cr110.

On Thursday the market had risen nearly 6 per cent.

Mexico

Equities opened marginally weaker following the country's first televised presidential debate on Thursday. The IPC index was down 1.35 at 2,234.35 in early trading.

● Baring Securities in New York said that it was advising investors to start buying the Mexican stock market more aggressively on expectations for improved economic growth in the second half of 1994, *Reuter reports.* Barings said that it expected real earnings per share growth of 12 per cent for a sample of companies in 1994, followed by 19 per cent in 1995.

EUROPE

Metallgesellschaft up 17% on UBS note

Bourses liked the US CPI data and investors, particularly, seemed to go for commodity-based cyclicals, *writes Our Markets Staff.*

FRANKFURT turned in respectable gains, mostly in insurers, automotive and engineering and metals stocks, although trade was quiet after Thursday's holiday.

The Dax index rose 15.12 to 2,258.75 on the session, up 1 per cent on the week, and held its ground in the post bourse to close at an Ibis-indicated 2,257.33. Turnover fell to DM6.9bn from Wednesday's DM8.6bn.

The stock of the day was Metallgesellschaft, the disaster stock of late 1993 and early 1994 after its exposure to oil-trading losses through a US subsidiary. It leapt DM42, or 17 per cent, to DM285, up 27 per cent on the week.

The automotive, engineering and research team at UBS put out a strong recommendation on the stock this week, seeing a lot of potential in the company after its restructuring under the new management board chairman, Mr Kajo Neukirchen, who was successful with similar exercises at the engineer, KHD, and the ball-bearing maker, Kugelfischer.

Elsewhere there were respectable gains for Thyssen, up DM6.80 to DM302.30 on its mobile telephone prospects, and for Veba, another DM6.50 higher at DM543.50 on Tuesday's good first quarter results, and on its oil interests at a time of rising commodity prices.

PARIS took comfort from the US data and the CAC-40 index immediately reacted with a strong, but unsustainable, rise. Having touched a session high of 2,206.24, the market slipped back to close the day up 10.26 at 2,187.00, a rise of 1.3 per cent on the week.

Hoare Govett yesterday recommended upgrading the French market to "fully weighted" on four counts: improved economic fundamentals; support from falling bond yields "as the domestic bond market has been sold more heavily than others in Europe, with little apparent domestic justification"; better then expected first quarter company results; and a likely easing of the "liquidity crunch" over the summer since no further privatisations are scheduled until the autumn.

LVMH, up FFr8 at FFr903, benefited from a rise in first quarter turnover from Christian Dior, up FFr1.10 at FFr447.90.

FT-SE Actuaries Share Indices

May 13 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1468.85	1467.38	1468.49	1468.66	1469.56	1472.24	1470.27	1468.03
FT-SE Eurotrack 200	1484.36	1483.35	1482.96	1483.33	1485.71	1488.95	1485.42	1480.06

	May 12	May 11	May 10	May 9	May 6
FT-SE Eurotrack 100	1460.98	1458.12	1455.39	1437.30	1450.83
FT-SE Eurotrack 200	1479.49	1473.45	1471.35	1452.04	1465.18

Base 1000 (26/10/90); High/day: 100 - 1472.31; 200 - 1488.62 Low/day: 100 - 1466.70 200 - 1480.08

AMSTERDAM was pulled both ways, with two of the most heavily capitalised issues moving in opposite directions.

Royal Dutch, which has been performing strongly since its recent first quarter results exceeded analysts' expectations, gained Fl 2.20 to Fl 207.90, a week's advance of 2 per cent.

For UBS, the oil group's results indicated that cost reductions were coming through, that sales were showing above average growth and that chemicals were starting to turn round. James Capel remained more cautious and maintained its hold recommendation.

But there was disappointment for Unilever, off Fl 5.50 at Fl 195.50, but up from a session low of Fl 193.80, as investors reacted with disappointment to yesterday's first quarter results. Analysts particularly noted the group's lacklustre showing in the US and were worried about the so-called "detergents war" with Procter & Gamble.

The AEX index finished off 0.99 at 411.58, unchanged over the week. Other notable gains were seen from KLM which was moved by a feeling that benefits from its alliance with Northwest of the US might soon come through, and the shares, which earlier saw a year's high of Fl 56.70, ended up Fl 1.40 at Fl 56.10.

MILAN turned its attention to Fiat, following the vehicle group's first quarter results which came after the close on Thursday.

The Comit index rose 5.83 to 808.85, up 1 per cent on the week.

Analysts were not surprised by Fiat's 1993 losses – the biggest in its history – which had already been discounted. Of more interest was the fact that the first quarter of 1994 showed a gain of L30bn, compared with a 1993 loss of L222bn. The shares improved L90 to L7,225, 2.7 per cent better on the week.

ZURICH recovered more ground after strength in the banking and insurance sectors, the SMI index rising 47.8 to 2,680.8, 1.5 per cent higher on a volatile week.

Receding interest rate worries left CS Holding, the most active stock of the day, up SFr19 at SFr603. Among insurers, Zurich bearers rose SFr55 to SFr1,310, and Winterthur put on SFr27 at SFr672 after good earnings growth in this week's progress reports.

MADRID found it difficult to cope with Wall Street's apparent reaction to good US data, but late institutional buying rescued the market, and the general index ended 1.87 higher at 329.03, 3.4 per cent higher on the week. Turnover was a solid Pta50bn.

ATHENS hit a 1994 low for the second consecutive session, the general index closing 16.58 lower at 934.19, 4.8 per cent lower on the week, with foreign investors worried by pressure on the drachma.

Written and edited by William Cochrane and John Pitt

Ericsson leads Stockholm

An upsurge in Ericsson stocks and an appetite for commodity-based cyclicals featured in Nordic bourses yesterday.

In Stockholm, the telecommunications major rose SKr30, or 9 per cent, to SKr366.

Mr Michael Thompson of James Capel said that the broker had put out a buy recommendation on Ericsson at the end of last week, after the stock had underperformed the market by 35 per cent since last October.

Ericsson was the main influence yesterday as the Affärsvärlden General index rose 30.10, or 2 per cent, to 1,535.20, although Volvo B rose SKr16 to a new record close of SKr748, and Trelleborg put on SKr5 at SKr120 on the climb in metal prices.

Stockholm's turnover was a strong SKr3.3bn. Other bourses were entertaining, but less active. Firmer North Sea oil prices helped Oslo rise 1.6 per cent, the all-share index closing 10.17 firmer at 649.69.

Norsk Hydro, which plans to invest about NKr8bn a year from 1994 to 1996, closed NKr5.5 better at NKr253.5.

Helsinki rose 1.5 per cent with forestry and metals stocks in the van.

ASIA PACIFIC

Yen's easing against dollar encourages Nikkei index

Tokyo

The yen's easing against the dollar encouraged buying by overseas investors, but selling by domestic institutions eroded the gains and the Nikkei index closed marginally higher after moving in a narrow range, *writes Emiko Terazono in Tokyo.*

The 225 average rose 46.51 to 20,270.75 after a low of 20,221.04 and a high of 20,360.37. The Topix index of all first section stocks, however, fell 1.36 to 1,643.20.

Volume totaled 400m shares against 290.7m. The day's activity rose on trading related to the monthly options settlement yesterday.

The Nikkei 300 lost 0.33 to 300.75. Losers led gainers by 499 to 489, with 184 unchanged and, in London, the ISE/Nikkei 50 index rose 2.93 to 1,345.69.

Rumours that the Bank of Japan was buying dollars against the yen prompted some dollar purchases by investors. The yen eased moderately against the dollar, encouraging buying of export-oriented high-technology issues.

Hitachi and NEC both hit new highs for the year on active buying. Hitachi rose Y13 to Y995 and NEC gained Y10 to Y1,180. Other electronics stocks were similarly firm, with Fujitsu up Y20 to Y1,050 and Sony rising Y40 to Y5,880.

Hopes of a rising market share in the US supported Mazda Motor, which gained Y12 to Y585, and Hino Motors which rose Y49 to Y915.

Some banks were lower on profit taking. Industrial Bank of Japan fell Y10 to Y3,290 and Dai-Ichi Kangyo Bank lost Y30 to Y1,980.

Retailers rose on prospects of a boost in private consumption because of an income tax cut scheduled next month. Ito-Yokado rose Y220 to Y5,640 and Jusco gained Y60 to Y2,340.

In Osaka, the OSE average rose 73.25 to 22,446.74.

Roundup

Thursday's decline in the US producer price index, indicating better inflationary and interest rate expectations, was welcomed in the Pacific Basin.

HONG KONG detected new buy orders and fresh short covering from Europe in the late afternoon as the Hang Seng index rose 255.86, or 2.9 per cent to 9,134.72, 6 per cent higher on the week in turnover up from HK$4.62bn to HK$5.02bn.

Properties were the main target, the sub-index gaining 4.6 per cent. Cheung Kong, the most active stock, advanced HK$1.25 to HK$37.75, followed by Sun Hung Kai, up HK$2.00 to HK$49. Henderson Land, described as oversold recently, climbed HK$3.00, or 8 per cent, to HK$40.50.

SYDNEY'S All Ordinaries index closed up 28.6 at 2,070.0, 3.3 per cent better on the week, lifted by bullish trade in the futures market and renewed confidence in bonds. Rising commodity prices also encouraged buying.

Turnover was A$527.7m. Among leading resource stocks, BHP leapt 54 cents to A$17.58 while CRA and Western Mining both rose 20 cents, to A$17.80 and A$7.70 respectively.

The oil sector closed nearly 4 per cent stronger on a six-month high in world oil prices. Woodside Petroleum gained 29 cents at A$4.75, Santos jumped 19 at A$4.30 and Ampolex rose 9 at A$4.35.

SINGAPORE saw demand for blue chips as the Straits Times Industrial index rose 35.71 to 2,286.12, 1.4 per cent up on the week, in volume of 100.5m shares.

BANGKOK rose 2.15 per cent on the day, while its week's gain was 1.5 per cent. The SET index put on 26.45 to 1,259.17 in turnover of Bt4.7bn.

The banking sector was strong with Thai Farmers Bank up Bt4 at Bt110 after reporting a jump of 34.7 per cent in net profit to Bt2.1bn for the first quarter. Bangkok Bank gained Bt2 to Bt163.

TAIPEI'S weighted index rose 57.57 to 6,061.95, 1.8 per cent better on the week, as buying of paper and pulp stocks intensified just before the close. The sector led on continued expectations for an industry recovery and higher product prices.

China Petrochemical rose by the daily 7 per cent limit on optimism over its offer of 298m shares this month.

WELLINGTON gained on blue chip buying, Telecom on results and Fletcher on the extension of a good run. The NZSE-40 index closed 12.19 higher at 2,105.19, 2.8 per cent up on the week.

BOMBAY was lifted by speculative buying in low volume on expectations of concessions for brokers in the Reserve Bank of India's credit policy to be released today. The BSE 30 share index closed 27.40 higher at 3,808.50, up 2.5 per cent on the week.

COLOMBO remained short of foreign interest, but domestic buying took the all-share index up 11.70 to 1,006.07, for a week's decline of 3.7 per cent.

SEOUL failed to maintain its strength, as consolidation started in reaction to seven straight gains. The composite stock index shed 2.00 to 950.45, still 2.4 per cent higher on the week.

S African industrials rise

Johannesburg's industrial shares rose to new highs as the mood of investors remained positive following the week's political developments.

The industrial index added 73 to 6,710, for a gain on the week – shortened by two separate closures for holidays – of 3 per cent.

The overall rose 77 to 5,533, while the gold index added 15 to 1,898.

Dealers said that most of the buying interest continued to come from local investors with foreign institutions remaining absent.

One dealer noted that foreign investors appeared to be waiting to see what policies the new government of President Nelson Mandela would adopt before commiting themselves.

SA Breweries gained R2.50 to R104.00 after posting a 14 per cent rise in earnings in the year ending March 31.

The steady performance of the bullion price at new upper levels underpinned gold shares, but no major buying was seen until gold moved beyond $383 an ounce.

Among gold stocks Kloof rose 25 cents to R44.75 as a delegation of striking mineworkers met management in an effort to bring to an end a strike by the majority of the work force.

Elsewhere De Beers rose R3.35 to R110.75 and Anglos R5.50 to R235.

The mining house, Johnnies, jumped R5 to R95, Gencor rose 35 cents to R10.10, and Rangold 50 cents to R7.50. Among other movers Argus added R1.50 to R40, Pick n Pay Stores made 60 cents to R14.85, Toyota gained R1 to R30, and Sun International was up R1 at R48.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	THURSDAY MAY 12 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	WEDNESDAY MAY 11 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (69)	167.41	-0.1	165.63	110.59	145.41	154.66	0.2	3.54	167.66	166.99	110.72	145.87	154.35	189.15	130.19	136.91
Austria (17)	173.41	0.0	171.46	114.55	150.62	150.94	0.0	1.07	173.41	172.71	114.61	150.87	150.94	195.41	140.14	140.64
Belgium (42)	173.43	0.3	171.48	114.56	150.64	147.04	0.0	3.71	172.93	172.23	114.19	150.45	147.04	176.67	141.92	145.49
Canada (106)	126.44	-0.7	125.02	83.52	109.82	126.61	-0.2	2.66	127.33	126.82	84.06	110.78	126.91	145.31	121.46	126.89
Denmark (33)	254.60	0.2	251.75	168.19	221.15	226.28	0.0	0.96	254.13	253.11	167.82	221.10	226.28	275.79	207.58	221.89
Finland (22)	151.84	0.2	150.14	100.31	131.89	172.96	0.0	0.86	151.57	150.96	100.09	131.87	172.96	156.72	85.54	93.27
France (96)	175.62	0.2	173.66	115.94	152.45	157.72	0.0	2.85	175.17	174.47	115.68	152.40	157.72	185.37	149.60	154.71
Germany (68)	143.26	0.2	141.66	94.64	124.44	124.44	0.0	1.65	143.03	142.46	94.45	124.44	124.44	147.07	107.59	111.61
Hong Kong (56)	363.59	0.1	359.51	240.19	315.82	360.62	0.1	2.96	363.30	361.85	239.92	316.09	360.34	506.56	271.42	284.14
Ireland (14)	183.11	-0.7	181.06	120.96	159.06	176.63	-1.1	3.45	184.37	183.63	121.75	160.41	178.60	209.33	155.93	161.35
Italy (60)	96.32	1.5	95.24	63.63	83.66	114.93	1.1	1.53	94.93	94.55	62.69	82.59	113.64	97.78	57.58	68.25
Japan (469)	157.68	0.6	155.91	104.16	136.96	104.16	0.6	0.77	156.79	156.16	103.54	136.41	103.54	165.91	124.54	142.88
Malaysia (98)	471.13	-0.5	465.85	311.22	409.23	473.76	-0.6	1.42	473.40	471.51	312.62	411.89	476.59	621.63	312.51	324.98
Mexico (18)	1867.74	-1.6	1846.79	1233.81	1622.32	6777.69	-1.7	1.15	1895.71	1888.11	1251.86	1649.32	6895.77	2647.08	1431.17	1489.42
Netherland (26)	202.42	0.2	200.15	133.72	175.82	173.16	0.0	3.24	201.93	201.13	133.35	175.69	173.16	207.43	163.90	166.86
New Zealand (14)	67.04	2.0	66.29	44.29	58.23	61.20	1.9	3.90	65.74	65.47	43.41	57.19	60.05	77.59	46.89	47.41
Norway (23)	194.47	0.2	192.29	128.46	168.91	191.08	0.0	1.74	194.03	193.26	128.13	168.81	191.08	206.42	150.61	159.74
Singapore (44)	336.94	-0.8	333.16	222.58	292.67	241.26	-0.8	1.66	339.72	338.36	224.34	295.57	243.15	378.92	242.46	245.02
South Africa (59)	267.00	-0.1	264.00	176.37	231.91	279.82	0.0	2.21	267.28	266.20	176.50	232.54	279.82	280.26	175.93	178.92
Spain (42)	143.47	2.3	141.86	94.77	124.62	149.77	2.0	3.96	140.25	139.69	92.62	122.02	146.79	155.79	116.33	127.26
Sweden (36)	224.53	0.1	222.02	148.32	195.03	257.61	0.0	1.54	224.42	223.52	148.20	195.26	257.61	230.02	163.95	177.05
Switzerland (48)	151.59	-0.1	149.89	100.14	131.67	134.42	0.0	1.80	151.74	151.13	100.21	132.02	134.42	176.56	121.14	121.14
United Kingdom (205)	192.89	0.9	190.73	127.42	167.55	190.73	0.2	3.89	191.15	190.38	126.23	166.31	190.38	214.98	170.32	177.80
USA (519)	180.66	0.5	178.64	119.34	156.92	180.66	0.6	2.85	179.72	179.00	118.68	156.36	179.72	196.04	178.95	161.78
EUROPE (724)	170.12	0.6	168.21	112.39	147.77	160.56	0.2	2.89	169.14	168.46	111.69	147.15	160.23	178.58	141.68	145.07
Nordic (114)	212.80	0.1	210.51	140.64	184.93	213.40	0.0	1.32	212.66	211.81	140.44	185.02	213.40	220.60	165.62	167.04
Pacific Basin (750)	165.40	0.5	163.55	109.26	143.67	113.68	0.5	1.07	164.64	163.98	108.72	143.25	113.11	169.80	134.79	146.82
Euro-Pacific (1474)	167.21	0.5	165.33	110.46	145.24	132.12	0.4	1.84	166.36	165.69	109.86	144.74	131.63	170.78	141.98	145.96
North America (625)	177.30	0.5	175.31	117.12	154.00	176.98	0.5	2.94	176.47	175.76	116.53	153.53	176.07	192.73	175.67	178.37
Europe Ex. UK (519)	153.92	0.4	152.19	101.68	133.69	141.65	0.2	2.29	153.33	152.71	101.25	133.40	141.35	157.47	122.97	124.96
Pacific Ex. Japan (281)	242.05	-0.1	239.34	159.90	210.25	219.28	-0.1	2.71	242.36	241.39	160.05	210.86	219.38	298.21	182.38	185.67
World Ex. US (1657)	168.00	0.5	166.12	110.98	145.93	135.15	0.3	1.85	167.25	166.58	110.45	145.51	134.70	172.51	142.94	148.46
World Ex. UK (1971)	169.10	0.4	167.21	111.71	146.88	145.54	0.4	2.06	168.38	167.71	111.19	146.50	144.93	175.58	153.22	156.35
World Ex. So. Af. (2117)	170.63	0.5	168.71	112.71	148.21	148.60	0.4	2.24	169.81	169.13	112.14	147.74	148.00	178.56	155.00	157.29
World Ex. Japan (1707)	180.49	0.4	178.46	119.23	156.77	175.82	0.3	2.87	179.70	178.98	118.67	156.35	175.07	195.20	165.70	166.79
The World Index (2176)	171.21	0.5	169.28	113.10	148.71	149.69	0.4	2.24	170.40	169.71	112.52	148.25	148.99	178.97	155.17	157.32

Constituent change with effect 16/5/94: Deletion: Sandoz (P.C.) (Switzerland). Name change 13/5/94: Arkla Inc. to Noram Energy (USA). Latest prices were unavailable for this edition. Markets open 12/5/94: Australia, Hong Kong, Ireland, Italy, Japan, Malaysia, New Zealand, Singapore, Spain, U.K. and USA.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied-Lyons	540	46	53	-	12½	20½	-
(*580)	580	15½	28	-	37½	45½	-
Argyll	240	19½	24½	28	12	16	21
(*252)	260	9	14	19½	24	28	32
ASDA	50	8	10	11	2	4½	4½
(*55)	60	3	5	6½	8	10	10½
[illegible]							

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Hanson	260	15	19	22½	10½	14½	18½
(*265)	280	6	11	14	23	26½	30
Lasmo	134	20½	31	-	6	8½	-
(*153)	154	13½	18½	-	12	15	-
Lucas Inds	180	24	28	31½	5½	11½	13½
(*195)	200	12	16½	21	13	21½	24
[illegible]							

RISES AND FALLS

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	54	13	6	221	102	42
Other Fixed Interest	6	0	9	30	15	30
Mineral Extraction	74	52	75	359	254	392
General Manufacturers	86	200	379	516	983	1,837
Consumer Goods	23	58	111	164	253	543
Services	72	132	310	419	634	1,525
Utilities	11	25	10	107	79	44
Financials	64	126	188	392	579	918
Investment Trusts	75	73	323	386	490	1,480
Others	41	52	30	180	293	171
Totals	506	731	1,441	2,774	3,682	6,982

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	May 3	Last Declarations	Aug 11
Last Dealings	May 20	For settlement	Aug 22

Calls: Aegis, Allied Irish Bk, Arcon Int, Hunterprint, MR Data Mng, NHL Pf, NSM, Tullow Oil, Villiers, World Fluids. Puts: Allied Irish Bk, Arcon Int, Hunterprint, Klearfold, NSM, Tiphook, Tullow Oil, Villiers.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	1.34	10	9	Abtrust Scot Wrts	10		-	-	-	-
-	F.P.	1,221.8	£14⅞	£14½	Ashanti Gold	£14½		-	-	-	-
-	F.P.	30.0	101	100	Beta Global Em C	100		-	-	-	-
110	F.P.	40.3	115	110	DRS Data & Res	113	-2	LN2.8	1.1	3.1	27.0
160	F.P.	60.1	171	160	GRT Bus	168	-1	RN3.8	3.3	2.8	13.0
120	F.P.	41.7	128	125	Go-Ahead	125		MN4.0	1.6	4.0	19.0
-	F.P.	21.0	483	479	Govett Global Smlr	482		-	-	-	-
165	F.P.	41.6	196	180	Hamleys	182	-1	W4.7	2.2	3.2	17.5
-	F.P.	-	98	94	Intl Biotech	94		-	-	-	-
-	F.P.	-	60	30	Do. Warrants	60		-	-	-	-
130	F.P.	69.9	138	122	Keller	123		WN04.7	2.3	3.8	14.3
-	F.P.	33.8	15	14	My Kinda Town	14½		-	-	-	-
80	F.P.	24.7	87	67	Oxford Molecular	67	-2	-	-	-	-
-	F.P.	5.63	60	53	Secure Retirement	58		-	-	-	-
198	F.P.	12.4	261	198	Superscape VR	234		-	-	-	-
100	F.P.	43.0	93	91	Templeton Lat Am	93	+½	-	-	-	-
-	F.P.	3.79	60	41	Do Wrts	41		-	-	-	-
-	F.P.	141.4	104	100	Templeton Emg C	101		-	-	-	-
100	F.P.	61.5	102½	99	Undervalued Asts	102½		-	-	-	-
150	F.P.	40.9	159	154	Vymura	159	+1	L4.44	2.2	3.5	15.4

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
-	Nil	-	3pm	1pm	Abtrust Scotland	1¼pm	
390	Nil	17/6	94pm	28pm	Airtours	89pm	+4½
8	Nil	16/6	1½pm	¼pm	Allied Radio	¼pm	
27	Nil	22/6	7¾pm	5½pm	Babcock Intl	5½pm	-1
3	Nil	31/5	8pm	6pm	‡Cupid	8pm	+1½
55	Nil	-	16pm	5pm	Dale Electric	5pm	
500	Nil	26/5	63pm	44pm	Derwent Valley	44pm	-2
5	Nil	31/5	¾pm	½pm	Ferrum Hldgs	½pm	
192	Nil	15/6	27pm	6pm	Hunters Armley	6pm	-6
2	Nil	24/5	¾pm	¾pm	Tamaris	¾pm	
24	Nil	-	11pm	10pm	Unit	10pm	
330	Nil	9/6	43pm	25pm	Williams Hldgs	36pm	-1

FINANCIAL TIMES EQUITY INDICES

	May 13	May 12	May 11	May 10	May 9	Yr ago	*High	*Low
Ordinary Share	2471.2	2494.1	2491.8	2500.1	2477.2	2218.4	2713.6	2439.2
Ord. div. yield	4.03	4.00	4.00	3.99	4.02	4.19	4.05	3.43
Earn. yld. % full	5.50	5.45	5.46	5.44	5.48	6.21	5.51	3.82
P/E ratio net	19.50	19.67	19.66	19.72	19.58	19.88	33.43	19.46
P/E ratio nil	20.36	20.56	20.54	20.61	20.47	18.57	30.80	20.37

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94: low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2498.7	2497.5	2494.7	2487.5	2486.5	2488.5	2489.8	2484.2	2471.3	2498.7	2468.4

	May 13	May 12	May 11	May 10	May 9	Yr ago
SEAQ bargains	32,414	27,181	27,770	26,713	24,930	28,016
Equity turnover (£m)†	-	1439.4	1399.8	1340.0	912.9	1151.7
Equity bargains†	-	29,486	30,649	28,580	27,439	31,118
Shares traded (ml)†	-	612.6	708.5	549.2	417.1	833.0

† Excluding intra-market business and overseas turnover.

FT GOLD MINES INDEX

	May 13	% chg on day	May 12	May 11	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (36)	1840.18	-0.7	1852.54	1848.44	1595.82	2.11	2387.40	1522.66
■ Regional Indices								
Africa (18)	2540.71	-0.2	2545.00	2578.06	1881.50	4.72	3440.80	1861.50
Australasia (8)	2209.37	+1.5	2202.30	2209.80	1709.79	2.05	3073.89	1693.16
North America (11)	1589.52	-1.5	1591.86	1572.06	1584.22	0.71	2030.85	1363.00

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. Predecessor Gold Mines Index: May 13: 258.2; day's change: +0.2 points; Year ago: 185.1 † Partial. Latest prices were unavailable for this edition.

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£21½	-⅜	£25⅛	£21½	6,314	5.2	ф
ANZ A$		224	+9	278¾	214¼	2,978	4.1	17.6
Abbey National	♣N□	403xd	—	523	387	5,287	4.3	13.5
Allied Irish I£	♣N□	250	+3	314	241	1,847	5.0	9.8
Anglo Irish I£	N□	53	—	*78	53	182.4	8.1	9.7
Asahi Y		731¼	-2¼	758¾	628	16,981	0.7	—
Banco Bil Viz Pta		£16	+⅛	£16⅞	£14⅞	3,896	5.1	7.2
Banco Sant Pta		£31⅝	—	£34⅝	£23⅞	3,513	4.3	ф
Bk Ireland I£	♣□	282	+5	*318	245	1,235	4.9	ф
Bank Scotland	♣qN□	180	-3	247	180	2,213	3.4	15.3
9¼pc Pf		117½xd	+½	141½	115¾	117.5	9.8	—
9⅛pc Pf		123½xd	+½	148½	122	123.5	9.8	—
Barclays	♣N□	548xd	-4	640	487	8,780	3.5	22.4
Dai Ichi Kan Y		£12⅝	-⅛	£12⅞	£10⅜	38,408	0.4	69.8
Deutsche DM		£312½	-4½	£344¼	£287⅝	14,900	1.9	—
Espirito Santo		£19⅞	+⅛	£26¼	£18⅝	210.2	4.1	4.7
First Nat Fin	N□	76	-1	*90	60	125.9	2.5	—
6.9pc Cv Pf		83	—	*98	77	5.58	9.5	—
7pc Cv Pf		149	—	171	128	70.7	6.9	—
Fuji Bank Y		1306¾	-12½	1549¼	1152½	43,616	0.4	—
HSBC HK	□	736	-10	1133	687	12,924	4.0	ф
HSBC (75p Shs)	□	723xd	-8½	1113	668	6,116	4.1	ф
Lloyds	N□	587	-10	690	532	7,331	4.9	12.0
Mitsubishi Y		£17⅜	-⅛	£19⅞	£15⅝	30,752	0.3	—
Mits Tst & Bk Y		1021¼	-15¾	1045	657½	13,298	0.5	16.4
Mitsui Tst & Bk Y		776¾	-2¾	811¼	514	9,300	0.7	28.4
Nat Aust A$		665¾	+9½	820¼	537¼	7,540	4.2	13.8
NatWest	N□	483	-8	622	434	7,704	5.0	10.6
Ottomane FFr		£27½	—	£38	£27½	137.5	5.3	ф
Ryl Bk Scotland	♣†N□	482	+1	528	382½	3,443	3.5	19.3
Sakura Y		£9½	+⅛	£9⅞	£8¼	30,108	0.6	58.7
Sanwa Y	‡	£14⅝	+⅜	£15⅜	£11⅝	42,282	0.4	—
Standard Chartd	N□	263xd	-1	*358¼	234	2,527	2.9	11.5
7 3/8pc Prf		92¼	+½	108½	90¼	82.8	9.9	—
Sumitomo Y		£14⅞	+⅛	£16⅛	£11½	45,312	0.4	31.1
Sumitomo Tst Y		984¼	-7¼	1098½	625	12,395	0.5	77.9
TSB	N□	217	-2	291	206	3,320	4.4	14.8
Tokai Y		£9¼	+⅛	£9⅜	£6⅝	16,767	0.6	55.2
Toyo Tst & Bk Y		747½	-2¾	784½	588¼	6,875	0.7	66.7
Westpac A$		231	+3	280	207	4,049	2.4	ф
Yasuda Tst Bk Y	‡	580¼	+¼	634½	442	6,455	0.8	82.2

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

ENGINEERING, VEHICLES - Cont.

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or –	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£28½	—	£28½	£13½	1,692	2.8	19.4
Barlow		£5⅝	–⅛	£5¹¹⁄₁₆	£3¹¹⁄₁₆	1,655	6.1	9.8
Gold Flds Prop R		91	–1	105	78	9.30	10.9	8.1
MK Props	s	90	—	95	87	3.62	9.9	37.0
SASOL	♥	338	–6	362	280	1,915	4.6	–
SA Brews		£14⁵⁄₁₆	–⅛	£15⅞	£10	7,859	1.9	23.4
Tiger Oats	†	744	—	838	538	1,117	2.1	15.6
Tongaat-Hulett	†	828	–12	838	434	498.5	2.4	17.5

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on RMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xt ex capital distribution.

FT Free Annual Reports Service

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FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, international) for more information on FT Cityline.

FINANCIAL TIMES
Weekend May 14/May 15 1994

BA braced for test flight of wills

Jenny Luesby on the airline's plan to defy a landing ban at Orly

The crunch may come shortly after 7am on Monday, 29,000 feet above the English Channel.

The captain of British Airways flight 332, bound from London's Heathrow airport to Orly airport, south of Paris, will request permission to proceed into French air space.

A refusal would be unprecedented, providing the flight plan has been accepted. The airline has already logged a flight plan for BA332 for Monday. It has done so every day since March 27, but the flight plan has never been used.

So far, BA has always cancelled the flight. Not because it wants to, or does not have the right to fly, but because the French have been barring British flights to Orly in defiance of a European Commission ruling last month.

BA says, however, that on Monday it will not cancel the flight. The 247-seat Boeing 767 is fully booked. Passengers include a member of the European parliament, a French television crew, BA's group managing director and a pack of journalists.

The pilot knows that BA has a landing slot booked at Orly. It has check-in desks, a handling agent and a parking space. By 5am he will also know how French air traffic control and Orly airport have reacted to the flight plan.

The only grounds for rejecting a flight plan are if the paperwork is not in order, if there is a security problem, if the airport is closed or if the airspace is full.

The burden of proof will be on France to justify a refused flight plan. But it would bring Monday's test of wills to a swift close: no flight plan, no flight. Will the French be willing to flout European law? The pilot can only ask, and wait.

If he gets clearance, the aircraft will take off – at 6.50am if it is on time. The flight should be uneventful until the aircraft reaches the English Channel where the captain will switch frequencies, announce his presence to French air traffic control and be acknowledged.

But any minute could bring an order to divert to another airport. If it comes, he will argue the case. He has the landing slot. He will push for precise details of the obstacle standing between flight BA332 and Orly airport. The law is on his side. And he wants to go to Orly.

He will be an experienced BA pilot, part of senior management, a fluent French speaker. And he will fight the diversion.

Heathrow-Orly is a short hop – 322 miles and a scheduled flight time of 65 minutes. The captain will have more than adequate fuel. He can circle. He can argue. He can make a nuisance. And he can make a point.

He will not jeopardise the safety of his passengers. French air traffic control will be obliged to keep him in safe airspace while the negotiations go on.

In the end, he may win. With his landing gear on Orly's runway, he will have opened up a route that his airline wants. And if, eventually, he has to land instead at Charles de Gaulle airport, he will at least have forced the French to show their hand.

Showdown over France, Page 9

UK rejects French compromise

Britain and France yesterday held high level talks in an attempt to defuse the crisis over access to Orly airport, write Paul Betts in London and John Ridding in Paris. But British Airways and Air UK insisted they would launch services to Orly on Monday in defiance of a ban by the French government.

France is understood to have offered a compromise by suggesting it was prepared to open Orly to UK carriers at the end of June. However, Britain insisted that UK carriers had "the right" to fly to Orly on Monday, after the European Commission's ruling last month ordering France to open the Orly-London route immediately.

UK officials said Mr John MacGregor, the UK transport secretary, and Mr Bernard Bosson, his French counterpart, were expected to hold telephone talks last night in an effort to resolve the dispute. The French government cites congestion at Orly, environmental considerations and increased access to London's Heathrow airport for French carriers as issues which need to be resolved before the route is opened.

Schroders close to takeover of US affiliate in $150m deal

By Roland Rudd and Robert Peston

Schroders, the UK merchant bank, is close to taking control of Wertheim Schroder, its US affiliate, in a deal approaching $150m (£102.7m).

The takeover will give Schroders the biggest wholly-owned Wall Street investment banking business of any British merchant bank, leapfrogging SG Warburg, its main rival.

Senior Schroders' executives said execution of the deal was being delayed pending the formal settlement of a $375m suit against Wertheim by the Ames department store group. Agreement in principle has been reached for Wertheim to pay an estimated $19m to Ames to settle the proceedings, but the terms are subject to court approval.

"As soon as the case is settled, the takeover of Wertheim will take place," a banker said. He added that Schroders would pay up to $150m for the 50 per cent of Wertheim's voting shares and 57.5 per cent of the preferred shares it did not already own. It bought half of Wertheim in 1986.

Wertheim's managing partners hold the other 50 per cent of the voting shares, while Bank of Boston, Massachusetts Mutual Life and Mitsubishi Trust Bank each have small non-voting stakes equivalent to 4.9 per cent of the total equity.

A senior Schroders' director said: "The deal will enable us to compete with the big boys in the US by controlling a US bank with a proven track record."

But another Schroders' executive said that there were risks because the merchant bank was so different from Wertheim. The US firm is a securities trader, while Schroders has concentrated on investment management and giving advice to companies.

Schroders' corporate clients also tend to be the biggest UK and European companies, whereas Wertheim specialises in medium-sized US businesses.

The biggest source of tension, however, is likely to be remuneration, a banker said. "The top guys at Wertheim earn over $1m, far more than Schroders' executives," he said.

The banker said he expected Schroders to reorganise the senior management of Wertheim soon after the takeover.

Schroders has delayed the acquisition to avoid liability for damages from the Ames dispute. Ames accused Wertheim of breach of fiduciary duty, professional malpractice, unjust enrichment and other improper conduct relating to its work as adviser in Ames' $1.3bn purchase of the discount store division of Zayre Corporation in 1988.

It alleged that it paid too much for the discount stores and that the highly leveraged takeover was largely responsible for financial difficulties which led Ames to seek Chapter 11 protection from its creditors in 1990. Ames has now emerged from Chapter 11 protection.

The suit also alleged that Mr James Harmon, Wertheim's chairman who also headed the Ames board between January 1988 and June 1990, breached his fiduciary duty during the deal.

Eurotunnel cash withheld

Continued from Page 1

participation of the Japanese banks because to date they have contributed 23 per cent of the existing £6.8bn commercial bank facilities, far more than banks from any other country.

Their ability to make new loans is constrained by the erosion of their capital caused by the prolonged Japanese recession.

Eurotunnel's directors will be made aware of the loan shortfall at a board meeting tomorrow.

A banker said: "There is no chance of all the money being received by Monday evening." He added that Eurotunnel would face some very difficult choices if the bank finance has not been raised by the end of the week.

"Directors could try and make do with less than the full £700m. But that would not be easy."

Labour

Continued from Page 1

However, Mr Brown was thought likely to face opposition from Mr Prescott and Mr Robin Cook, another potential candidate with strong links to the traditionalist wing.

The bookmaker William Hill cut the odds on Mr Blair to 1-3 favourite. Odds against Mr Brown are 5-2, Mr Prescott 10-1, Mrs Beckett and Mr Cook 16-1, Mr Jack Cunningham 33-1, Mr Neil Kinnock, Mr Peter Mandelson and Mr Jack Straw 50-1.

● Labour announced last night Mr Smith's funeral will be at Cluny parish church, Edinburgh, next Friday.

Palestinian euphoria at Israeli withdrawal

Continued from Page 1

another policeman, said he had fought in Beirut in 1982, when the PLO was forced to withdraw from Lebanon, and in the Lebanese port of Tripoli in 1983 when some PLO fighters staged a mutiny against Mr Arafat.

"We want to rekindle the hope of our people after so many years of occupation," he said, as he hugged relatives he had not seen for more than a decade.

Policemen immediately started directing traffic and operating joint patrols with Israeli police in separate vehicles, as agreed under the self-rule accord.

In Gaza, Israeli troops finished pulling out of Palestinian areas in the south of the Strip.

Up to 20,000 supporters of the extremist Islamic Hamas Movement marched through Gaza City to welcome the Palestinian police but condemn the peace accord. Demonstrators hurled stones at remaining Israeli positions and troops opened fire wounding two. Israel says it will complete its pull out from Gaza by next Wednesday.

THE LEX COLUMN

Unenterprising defence

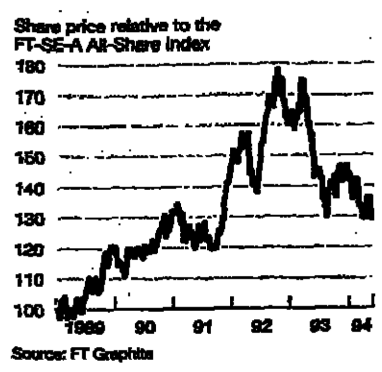
The gap in Enterprise's attack is matched by a gap in Lasmo's defence. There is little point in putting the two oil exploration companies together, but little point in keeping them apart either. Certainly, Lasmo's desperately thin defence document, out yesterday, failed to make the case for retaining its independence. Although Lasmo has improved its finances and management over the past year, there is no room for complacency on either score. Moreover, Lasmo chief executive Mr Joe Darby was hard pressed to identify any special characteristic of the group that would be destroyed if Enterprise won the battle.

The bid therefore looks like being decided purely on the money. On this score, Enterprise's offer is weak. The all-paper offer, originally estimated to be worth 150p, has dropped with Enterprise's share price. Lasmo shareholders are also wary of being offered special low-dividend shares and speculative warrants – a mixture Lasmo chairman Mr Rudolph Agnew has dubbed "second-class paper". It is all very well for Enterprise to argue that the reduced dividends are no worse than what Lasmo shareholders would have received anyway. But investors naturally want a better deal, not just one that is no worse.

The snag is that Enterprise cannot afford to come up with cash from its own resources. That would endanger dividends to existing shareholders, which are at best barely covered as things stand. Underwriting a cash alternative is the obvious option. A dollop of cash would certainly make the offer more palatable but Enterprise's owners will be concerned if it has to pay through the nose for the underwriting.

FT-SE Index: 3119.2 (-18.6)

Unilever



Source: FT Graphite

Unilever

Unilever's first-quarter figures contained a number of small disappointments. Volume growth has not accelerated from the 1.5 per cent rate seen at the end of last year. Economic turmoil in Brazil has dented profits. Interest costs were higher than expected, partly because preference shares have been refinanced with debt. The interest charge probably has further to rise as Unilever starts to pay more on its dollar debt and receives less on some £1bn in deposits held in Europe, mostly in D-Marks and Dutch guilders. Profits forecasts have thus been trimmed.

But these factors do not fully explain yesterday's 5 per cent fall in the shares. More worrying is the fact that prices across Unilever's vast range of consumer goods are still falling in real terms. True, the price war in US detergents which erupted last summer distorts the overall picture. Year on year comparisons should look more favourable from the third quarter. With Unilever now launching its new range of fabric detergents in Europe, though, there could be further pricing pressure to come.

Detergent margins are generally lower in Europe than in the US, so there may be less scope for an all-out price war, yet the slanging match with Procter & Gamble points to a robust competitive response. Despite Unilever's best efforts to defend margins by cutting costs, the threat of instability in another of its main markets will cast a shadow over the shares for some time yet.

UK gilts

It would be wrong to read too much into gilts' rally after yesterday's auction announcement. That was more of a technical squeeze than a welcome for the first convertible issue since the early 1980s. The revival is bound to be controversial, suggesting a degree of pressure on the Bank of England. After a surfeit of short-dated issues, it cannot easily come back for more. Yet the long end of the market remains too fragile to absorb a large conventional issue with ease.

For those with short memories, the convertible works likes this. The Bank issues a five-year gilt which can be converted at specific intervals into long gilts at fixed yields below those currently prevailing in the market. The new gilt might attract institutions that are worried about committing themselves to long gilts now but are also afraid of missing the boat if bond markets do recover sharply once US rates have stopped rising. The capital risk in buying five-year paper is small and they have a chance of acquiring long-term paper at what may turn out to be attractive rates later.

But this all looks too clever by half. In return for allowing the institutions to protect themselves in this way the Bank will get its five-year money cheaply, but maybe not cheaply enough. Holders will only convert if by doing so they can obtain a yield higher than generally available at the time. At that point the borrowing will become expensive for the Bank. If it really believes yields are too high, it would be better off waiting until they fall before borrowing long. It would look better off still if it had had the foresight to raise 25-year money when yields reached their floor of 6.4 per cent in late December.

The Telegraph

The Telegraph's first-quarter results provide strong evidence that the UK advertising recovery is gathering pace. Advertising revenue was up 18 per cent on the same period last year and is now near the peak it reached in 1989. Moreover, the Telegraph expects advertising to continue rising as the general economic recovery becomes more established. There is clearly scope for growth in display and recruitment advertising which are still a long way below the 1989 level.

Other evidence confirms the Telegraph story of an insipid recovery in 1993 being followed by a much stronger 1994. United Newspapers painted a similar picture at its annual general meeting this week, while News Corporation last week said revenues at its UK newspapers had risen 11 per cent.

The pattern of the advertising recovery has similarities with recoveries from previous recessions. But there is one important difference this time round; during the latest recession, newspapers added to their pagination. The result was that advertising rates fell faster than revenues. The Telegraph's financial advertising rates in its first quarter increased only in line with inflation, though revenues grew strongly. This suggests the capacity to carry advertising built up during the recession will continue to moderate increases in rates for some time even though volumes may boom.

FT WEATHER GUIDE

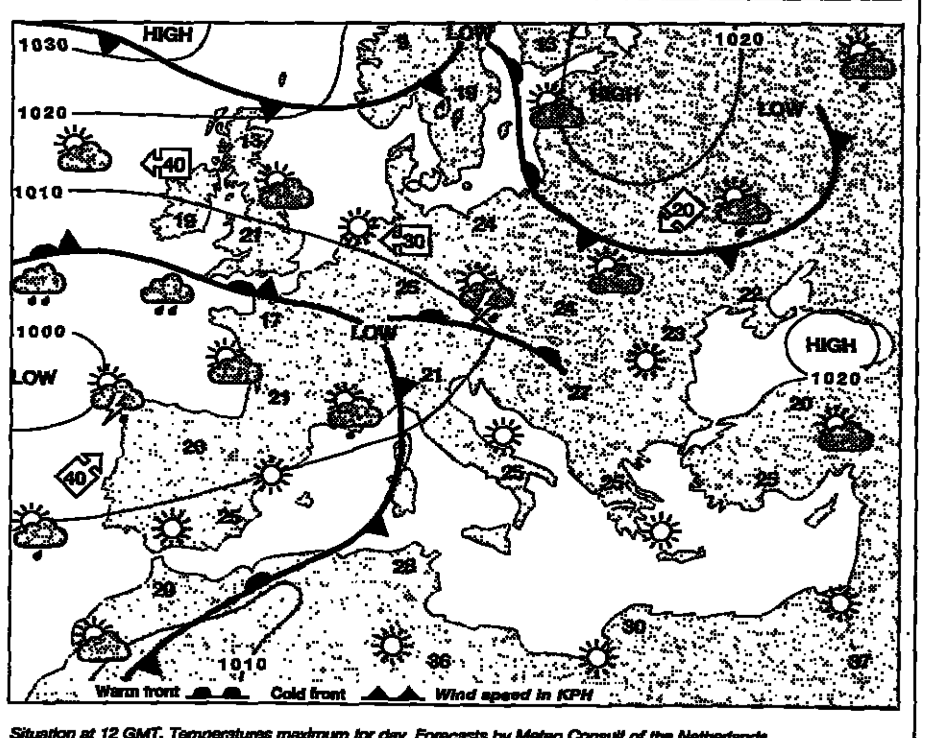
Europe today

A large depression west of Portugal will cause unsettled conditions in much of western Europe. There will be rain over Portugal and the southern parts of the United Kingdom. A line of heavy showers will march north through France. Frequent thunder showers will erupt over mountains, including the Massif Central and the French Alps.

It will be sunny in Holland, northern Germany, Denmark, southern Sweden, Scotland and northern England. Northern Scandinavia will be cool with patches of rain along the Norwegian coast. Eastern Europe will have light winds, mixed sunshine and afternoon showers. It will be sunny with temperatures above normal for the time of year across the entire Mediterranean.

Five-day forecast

Cool air from the Norwegian Sea will spread to the North Sea area. As a result, temperatures will drop from the British Isles to Scandinavia and most places will have cloudy periods. Cool conditions will spread further into Portugal, Spain and France. A south-westerly wind will bring sunshine and increasingly higher temperatures to central and eastern Europe.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

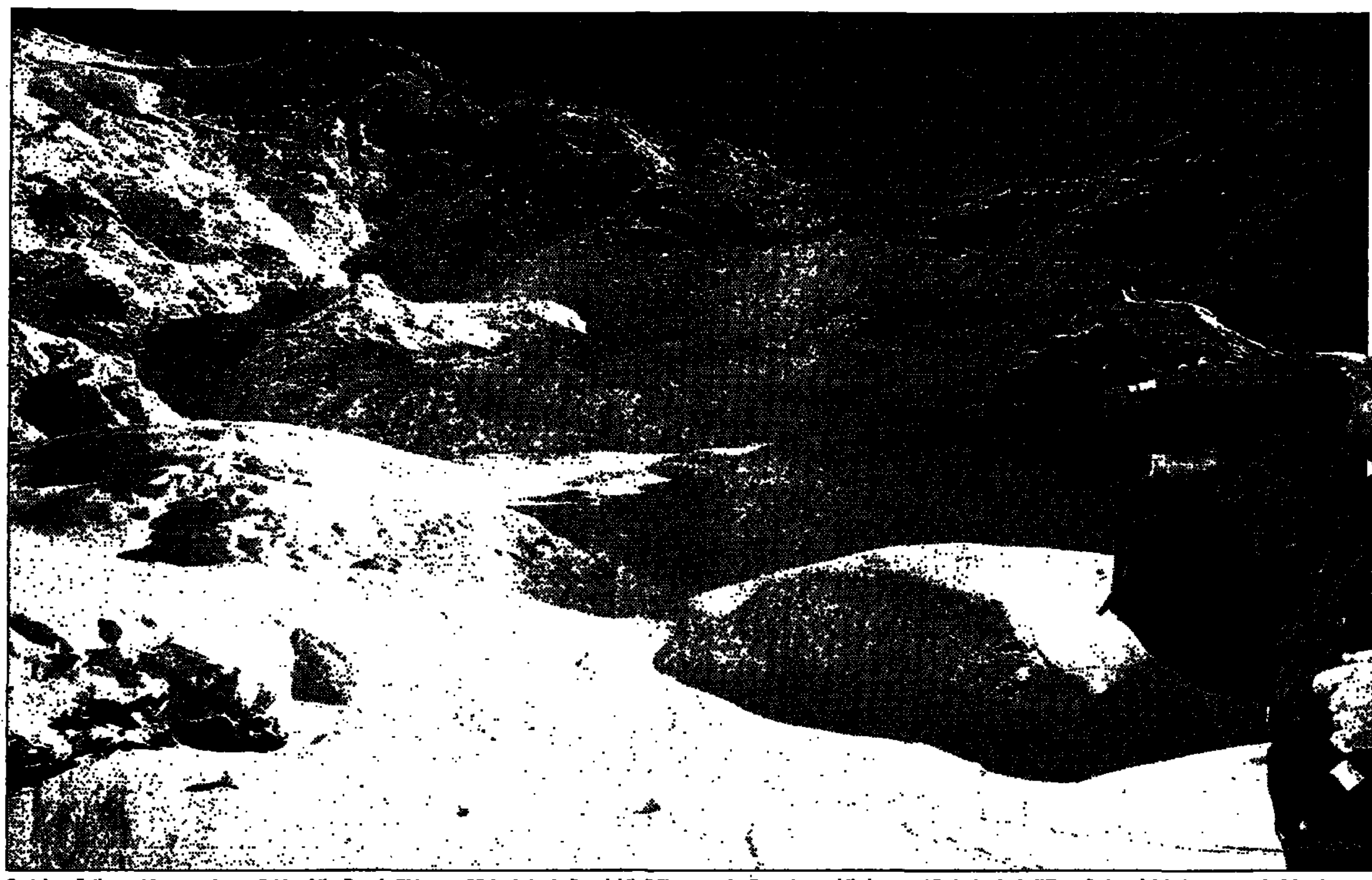
		Maximum Celsius
Abu Dhabi	sun	33
Accra	fair	32
Algiers	sun	25
Amsterdam	fair	25
Athens	sun	25
Atlanta	fair	27
B. Aires	sun	24
B.ham	thund	21
Bangkok	thund	33
Barcelona	fair	22
Beijing	cloudy	26
Belfast	fair	20
Belgrade	fair	28
Berlin	fair	25
Bermuda	sun	26
Bogota	thund	20
Bombay	fair	33
Brussels	thund	27
Budapest	fair	26
C.hagen	sun	19
Cairo	sun	32
Cape Town	fair	20
Caracas	shower	28
Cardiff	rain	23
Casablanca	fair	21
Chicago	thund	24
Cologne	thund	28
D' Salaam	fair	31
Dakar	sun	25
Dallas	thund	28
Delhi	shower	38
Dubai	sun	35
Dublin	shower	17
Dubrovnik	shower	26
Edinburgh	sun	15
Faro	shower	19
Frankfurt	shower	27
Geneva	rain	17
Gibraltar	fair	22
Glasgow	fair	21
Hamburg	fair	23
Helsinki	cloudy	14
Hong Kong	fair	31
Honolulu	fair	29
Istanbul	fair	23
Jersey	shower	18
Karachi	hazy	34
Kuwait	sun	36
L. Angeles	fair	20
Las Palmas	fair	23
Lima	fair	22
Lisbon	rain	19
London	rain	23
Lux.bourg	thund	21
Lyon	rain	18
Madeira	fair	21
Madrid	fair	20
Majorca	fair	24
Malta	fair	27
Manchester	shower	21
Manila	fair	34
Melbourne	cloudy	12
Mexico City	sun	24
Miami	sun	32
Milan	thund	19
Montreal	fair	19
Moscow	fair	12
Munich	shower	25
Nairobi	shower	25
Naples	fair	27
Nassau	fair	30
New York	sun	23
Nice	fair	22
Nicosia	sun	25
Oslo	sun	23
Paris	thund	19
Perth	fair	23
Prague	fair	25
Rangoon	fair	34
Reykjavik	fair	10
Rio	shower	26
Rome	fair	25
S. Frsco	fair	18
Seoul	rain	20
Singapore	shower	31
Stockholm	fair	20
Strasbourg	thund	23
Sydney	fair	20
Tangier	sun	20
Tel Aviv	sun	26
Tokyo	fair	22
Toronto	shower	23
Vancouver	rain	17
Venice	shower	21
Vienna	cloudy	26
Warsaw	fair	25
Washington	sun	24
Wellington	rain	10
Winnipeg	fair	21
Zurich	thund	21

Weekend FT

SECTION II

Weekend May 14/May 15 1994

Arnie Wilson was seduced into skiing down a remote and treacherous slope in the Alps. But he found himself exploring his own reserves of courage



Curtain call: the rockfaces and snowfields of the Pan de Rideau. Olivier Laborie (top right): 'I like to push clients beyond their normal limits.' Arnie Wilson (below right): 'It was wonderful to have emerged unscathed'

The heights of fear

'I knew one slip would result in certain death'

I was afraid. Stranded like a disorientated mountain goat on the edge of a snowy chasm, I looked down on the most magnificent of the Alps. Even Mont Blanc seemed to be below me. But I was too frightened to enjoy the spectacle. Opposite, spring avalanches thundered at regular intervals off the sun-baked shoulders and flanks of the mighty Meije and its glacier. In a strangely detached way, I knew that one slip on this traverse would result in certain death.

I have skied in dangerous places before, but this was new. Below me – I could not resist looking down – was an impossibly steep gulley which fell away almost vertically to who knows where. I pictured myself tumbling hopelessly, down and down, bouncing off one cliff after another until I reached a frozen grave thousands of feet below Le Rateau, next to La Meije.

La Meije (13,061 ft or nearly 4,000m), with its vast glacial terrain, was the last main peak to be climbed in Europe. Even Edward Whymper, the first conqueror of the Matterhorn, failed to climb La Meije, which rears up in fearsome splendour above the climbing village of La Grave and the spectacular Col du Lautaret.

La Grave, in France, is no ordinary ski resort. It is 7,000 vertical feet (2,130m) of ungroomed, steep and spectacular terrain whose upper reaches are crossed by ice walls and crevasses, some of them more than 200 metres deep.

I had come here as part of the FT round the world ski expedition, a madcap journey on which my companion, Lucy Dicker, and I are *attempting to ski every day of 1994.*

A guide at La Grave is highly desirable. But perhaps not a guide who seduces you into exploring your own threshold of fear; perhaps not a guide such as Olivier Laborie, who takes the stronger skiers among clients of Ski Peak, a Surrey-based tour operator, on off-piste adventures. Few, if any of them, would relish the situation in which I found myself.

It would be a quick death. I wondered what sort of sound I should make. A scream would be *undignified.* Silence would be better.

I had studied the descent earlier in the day when Laborie had mentioned, more than once, with a glint in his eye, that the Pan de Rideau (Side of the Curtain) was a "special run" which I would enjoy skiing with him.

But was I good enough to ski it, I asked him? Would it be curtains for me if I fell. "You'll be OK," he said. "You have a good mind."

By that, it turned out, he meant I did not panic.

"There is only one place where you must not fall." Whenever a mountain guide says this to me, a frisson of fear chills my spine.

Yet I know from many guided off-piste adventures in the mountains that sometimes a short, risky and *heart-stopping section of terrain is* the "entrance fee" you must pay for the most sublime and exciting skiing. I had skied with Laborie before, a year earlier. So he knew I could not resist a challenge.

But this was more than a challenge. This was coming face to face with the inner demons which haunt all skiers who mix skiing with mountaineering. And this time there were just the two of us: the supremely fit, confident young mountain guide, with everything from pulleys and tackle (for crevasse rescues) to ice axe, pitons and karabiners in his rucksack, and the 50-year-old, overweight, over-ambitious recreational skier suddenly beyond the limit of his competence.

From below, I had seen a huge *hole punched high in the rock face* beside a vast and steep snowfield. Olivier had assured me: "We will try to ski in the shade where the snow will be fantastic." The terrifying traverse on which I now stood was above two or three precipitous couloirs which merged into a sheer *gulley hundreds of feet below.*

To get to the Pan de Rideau (not that I will ever go again) you must climb in deep snow for perhaps half an hour from the Glacier du Vallon to the Col des Trifides. From here you look down, past a column of rock that juts out like a giant finger from the col, at what seems to be every peak in the Alps. Then you see the route Olivier wants you to take.

Sweat from the heat of the climb was followed by cold sweat. Just as *a leap of two or three feet seems* easy when you are only a foot from the ground, the traverse from the Col des Trifides would, elsewhere, be merely awkward.

"I don't like the look of this Olivier," I said. "You don't have to do it," he replied. "But it will be all right. I don't want to die either." Somehow I could not refuse.

To reach the curtain, you must side-step gingerly down for five feet before reaching the traverse. Then progress is a matter of beating down the snow with your skis and making a platform before edging forward. Every now and then your eyes are drawn to the cliffs below. I was half way along the traverse and becoming more and more apprehensive when Olivier looked at me, concerned, and asked: "Would you like *me to rope you?"*

He had roped me – and the rest of the group – last year when we were descending the first part of the Viol couloir above the French resort of Alpe d'Huez, where a fall could be fatal. Indeed, the wealthy client of a prominent local guide fell to his *death there a few weeks ago.*

The two of us were now teetering on the brink while he struggled to get the rope round my girth without either of us falling. Then he half skied and half climbed to the largest rock he could find and after instructing me to "stay there" (I had no wish to move) began to drive in a piton. (It was an old Simond piton worth approximately 15 French francs and manufactured in the rather more famous climbing town of Chamonix, I discovered later.)

After a few minutes, I began to wish I was on the move again. Anything was better than standing motionless on the edge of the abyss. As Olivier hammered, the sound was so clear that I thought it must carry all the way to Lucy, who – *armed with our video camera* – was awaiting our descent in the shelter of a huge rock on the glacier floor more than 1,000ft below. Knowing she was watching our drama unfold made the whole thing even more unnerving.

Having secured the rope through a karabiner, which he attached to the piton, Olivier skied back to a point where the traverse disappeared into unknown territory around the corner. "There's one thing you can do!" he shouted, almost as an afterthought. "Double the rope up and push it through the piton. Retrieve the karabiner and then take the loop you have pushed through and you can lower yourself back to the traverse."

This was madness. What did I know of karabiners – snap-links used to connect ropes to pitons, which are metal spikes hammered into rocks? These were the impediments of climbers, not skiers. They were completely alien and frightening to me. They spoke of people *who actually enjoy being suspended* over vertiginous drops. Anyway, why did he want his wretched karabiner back? Surely it was not the

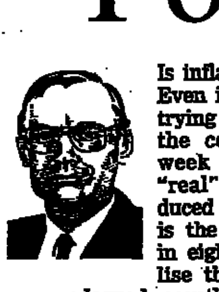
Continued on Page X

FT Round the World Ski Expedition reaches India, Page XVII

CONTENTS

The Long View / **Barry Riley**

Forever in your debt



Is inflation really dead? Even in Brazil they are trying to bury it, with the confirmation this week that the new "real" will be introduced in July. Yet, this is the seventh attempt in eight years to stabilise the Brazilian currency, plagued recently by inflation topping 2,500 per cent.

True, there is a neighbouring precedent given that Argentina, once a victim of hyper-inflation, cut its rate to 7 per cent in 1993. The trick has been achieved through such measures as a peg to the dollar and opening the economy to cheap imports. The trouble is, this has led to a big balance of payments deficit, so the true test will come when this trade gap cannot be financed.

For every currency saved, another seems to head for the abyss. Turkish inflation, for instance, has soared above 100 per cent as the economy slumps and government finances totter. Last year, Turkey was the star of the emerging markets but, in 1994, the London-listed Turkey Trust (down nearly 50 per cent) is living up to its name.

Our perceptions of low inflation arise from experience in the mature western economies, not from the rest of the world where currencies continue to be debauched as regularly as ever. Eastern Europe is a disaster area for believers in sound money. In the Group of Seven countries, however, average inflation has fallen to 2.8 per cent.

In the UK, where the Bank of England published its quarterly *Inflation Report* this week, the retail price index also shows a year-on-year increase of 2.3 per cent, up from a freak low point of 1.2 per cent last year. But the Bank's RPIY measure of "core" inflation, which excludes distorting influences such as mortgage interest rates and indirect taxes, is still trending downwards and stands at 1.9 per cent on the latest calculation (for March).

Why such a low level? Even in the least inflationary years of the 1980s, between 1982 and 1987, prices were rising at 4.7 per cent on average. But the labour market was hammered in the early 1990s and international price competition on traded goods is intense, stimulated by ever-increasing third world participation.

The global economy, meanwhile, has been at its weakest since the 1930s. Growth in the OECD member states was only 1.2 per cent in 1993, and was probably negative outside the US. The credit-based binges of the 1980s have collapsed, to be replaced by the threat of debt deflation, a condition in which monetary contraction leads to actual falls in prices (although only Japan is still threatened seriously by such a plight).

Serious economic depression has, however, been held off by central banks – in the US and Japan, in particular – which have propped up their banks. Depositors have not lost their money. Confidence has been sustained in financial institutions – but only at the cost *of huge public sector deficits.* US government debt has been rising but the position is worse in Europe where, according to the OECD, net public sector indebtedness has risen from 27 per cent of GDP in 1980 to 43 per cent in 1990 and is likely to reach 61 per cent in 1995, bolstered by figures of 117 per cent for Italy and 132 per cent for Belgium.

When economies are depressed, these public sector deficits can offset smoothly the surpluses *arising in the private sector.* Low, short-term interest rates will not generate excessive credit growth, because borrowers are too cautious, but will encourage investors to seek higher levels of income from long-term bonds. This week, the Bundesbank actually said that one of its motives in cutting short-term D-Mark interest rates was to reduce the excessive growth of its targeted measure of money supply, M3, by diverting savers into bonds and other longer-term assets not defined as money.

So far, the central banks still appear to be winning in their efforts to stave off financial and economic retrenchment and create a path to recovery with low inflation. Continental Europe, for instance, seems to be heading towards an economic upturn this year. But have the underlying problems been cured, or just postponed?

Certainly, the US Federal Reserve is having awful problems in shifting from low to "neutral" interest rates. The delicate bull market in bonds has been torpedoed, leading to a sharp rise in long-term interest rates. In the absence of the brutal impact of a deposit-destroying economic adjustment, we find that US consumption and Japanese production are both too high, with huge and destabilising payments imbalances. So, the dollar has been wobbling.

Moreover, as the private sectors of the leading economies revive (as has happened in the US), the public sectors must step back rapidly and eliminate their demands on the capital markets. Otherwise, bond interest rates will soar *to still more unacceptable levels.*

In the short run, there is no genuine scare over inflation – even in the US, which is furthest along the recovery track, this week's latest producer and consumer price figures were benign. During the bond market scares of recent months, the gold price has moved only sideways, scarcely suggesting an inflation panic. Some commodity prices have been rising, but mostly on the back of the huge pools of speculative money which are now punting on anything that moves.

For the longer term, though, the inflationary danger obviously remains. Although the cost of bailing out the private sector last year seemed quite low, in 1994 it has jumped. Right now, it costs the UK government more than 5 per cent in real terms to fund its deficit through gilt-edged sales, on the basis of the Bank of England's projection of 3 per cent inflation two years out.

That is an unacceptably high cost, and governments such as that of the UK are eventually going to find it very tempting to inflate away the burden. Perhaps, after all, we should save some of those Brazilian reals for a rainy day.

MARKETS

London

Focus stays on interest rate outlook

Andrew Bolger

British politics may have been changed utterly by the sudden death of John Smith, Opposition leader, but the City's attention has remained firmly focused on interest rates.

The FTSE 100 surged by 38.5 points on Tuesday, as traders got wind of the Bundesbank's intention to cut Germany's leading interest rates to their lowest level for five years.

London followed other European equity markets up, in spite of a stiff warning on the same day from the Bank of England that it would not hesitate to raise UK interest rates if expectations of higher inflation led to an increase in the pace of wage and price rises.

The Bank has some grounds for concern. Average earnings growth rose to 3.5 per cent in February from 3 per cent in November, and may have been higher in March.

The chart shows that employees' inflation expectations remain above the 4 per cent level, in spite of the sharp fall in headline inflation, the key indicator for pay negotiators.

The stockbroker Hoare Govett says: "The labour market is tightening only slowly, but job prospects and security should improve as economic recovery continues, encouraging more inflation-plus pay deals."

No-one expects an increase in UK interest rates in the short-term, and there may even still be scope for another small cut. However, most analysts believe we are now at the bottom of the interest rate cycle, and the next movement will be up – even if it does not come this year.

Much more likely is a small increase in US interest rates, to support the dollar and prevent America's rapid economic growth translating into higher inflation.

This possibility continues to transfix the London market, which attracts institutional buying when the FTSE 100 dips towards the 3,100 level, but has been unable to break through a ceiling of 3,150 for more than a month.

After Tuesday's rise, the market drifted on Wednesday and Thursday. Yesterday it closed down 18.6 at 3,119.2 as traders again focused on expectations of a rise in US interest rates next week.

The uneven nature of the UK recovery was demonstrated by an unexpected drop in the manufacturing output figure for March, after two months of strong growth. However, the combined figures for the first three months recorded the largest rise in output for five years.

The week's main corporate results were also generally upbeat. J. Sainsbury, the UK's largest grocery retailer, announced an increase in underlying profits, and a stabilisation of its profit margins, in spite of fierce price battles in food retailing.

Kwik Save, the biggest discount grocery retailer, was less sanguine. Despite increasing its interim profits, the group said trading was being damaged by last month's tax increases. It estimated that grocery prices were now 3.5 per cent lower than last year, owing partly to intense price competition.

Big insurers such as General Accident, Commercial Union and Royal Insurance all confirmed the steady recovery in profits in a sector which was dogged by losses between 1990 and 1992. In spite of an improvement in their underwriting performance, all suffered from a decline in the value of their investments in both bonds and equities during the first quarter.

The recovery by the banks also continued apace, as demonstrated by the Royal Bank of Scotland's achievement of doubling its interim pre-tax profits and tripling its earnings.

Shareholders who fear that the banks may only rebuild their books in order to start throwing the money away again in another wave of bad loans may be encouraged by the Royal Bank's success with Direct Line, its insurance subsidiary which sells to the public by telephone.

Direct Line is already the UK's leading motor insurer and has nearly doubled its share of the household insurance market since last year. The Royal Bank said it had injected a further £35m of capital into the continued expansion of the business, which nearly tripled pre-tax profits to to £40m.

This success poses a threat to the profitability of more traditional insurers and buildings societies, who have long enjoyed high commission rates in the home insurance market.

Not that the Royal is hostile to building societies: indeed the bank confirmed it had been interested in acquiring the Cheltenham and Gloucester, for which Lloyds has bid £1.8bn. George Mathewson, chief executive, said he would still like to buy a medium-sized society with a "recognisable name" in the high street, as part of the bank's strategy of diversifying its interests, and making earnings less volatile.

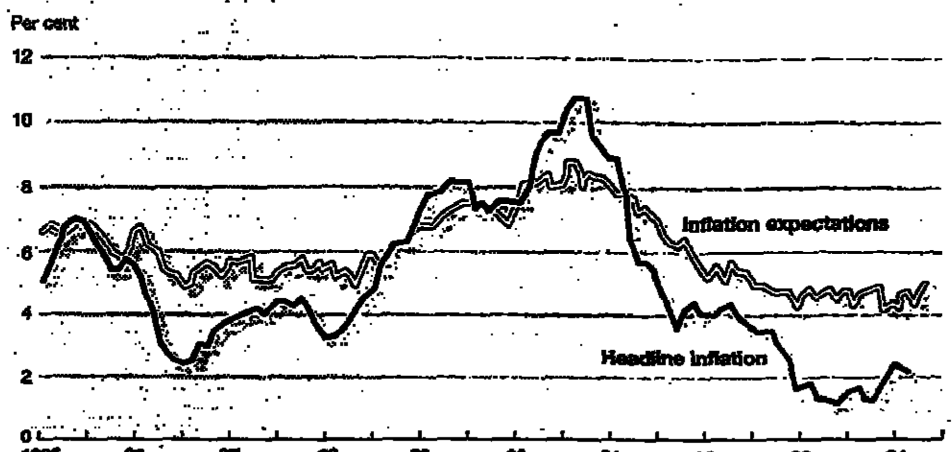
The brewers' reporting season got off to an unhappy start when the head of Vaux Group, one of the largest regional brewers, attacked the government over the "scandal" of bootleg imports of beer from mainland Europe.

The Sunderland-based group claimed that cross-Channel shipments were now running at more than 2m barrels a year, equivalent to four times the production of Vaux itself, which last year sold beer worth more than £100m.

Brewers have been lobbying the government to reduce the duty on beer to bring it closer to French levels. But there seems little chance of the treasury accepting the initial drop in revenue which such a move would entail.

Grand Metropolitan, the international drinks and food group, gave the market a jolt on Thursday when it revealed that de-stocking in the US drinks market was likely to cost it £40m this year. Apparently the recovery of the US economy encouraged GrandMet's IDV drinks subsidiary to stock up last autumn in the hope of increased sales. In fact, the market fell.

Inflation expectations fall to shrink



Source: Gallup, Hoare Govett

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1994 High	1994 Low	
FT-SE 100 Index	3119.2	+13.2	3520.3	3070.5	Bundesbank rate cuts
FT-SE Mid 250 Index	3721.8	-49.2	4152.8	3721.8	Focus on blue chip stocks
BPB Inds	311	-23	363	295	Competition fears
British Aerospace	503	+23	584	390	Positive analysts' visit
British Gas	301½	+18	358	277½	Relief at DTI/Ofgas report
Johnson Grp Cleaners	905	-67	1035	864	Poor trading outlook at agm
Linread	211	+61	218	95	Agreed bid from McKechnie
McKechnie	467	-25	539	448	Bids for Linread
Micro Focus	1093	+273	1138	795	Good first-quarter results
Pearson	673	+41	735	605	BBC link-up
Phonelink	380	-50	440	330	Competition concerns
Portals	765	+130	783	513	Bid approach
Siebe	567	-25	630	559	Bear accounting stories
Standard Chartered	263	+25	359¼	224	Presentations in Scotland
Unilever	1023	-51	1247	1006	Dull figures

Serious Money

Robbing Peter to pay Peter

Gillian O'Connor, personal finance editor

City stockbrokers are too often mealy-mouthed. So, it is a pleasure to see Credit Lyonnais Laing's investment trust team biting the hand that feeds it. "Many investment trusts are overpriced at the moment. Buy the equivalent unit trust," is the gist of its message*. The argument is compelling.

Traditionally, most investment trust shares have sold at substantially less than their underlying asset value – unlike units in unit trusts where the price is pegged to the asset value. But a long bull market and heavy marketing have cut the typical investment trust discount from around a quarter in the mid-1980s to under 5 per cent in February and around 8 per cent now. In a few cases, shares have actually sold at a premium to the underlying assets (for example, the Japanese trusts discussed on page III).

The near elimination of the discount has had two consequences. First, trust shares have risen faster than the stock market, making it simple to sell the concept of investment trusts to the public. Second, it has been easier to launch new investment trusts on to the stock market. (While other trust shares were still selling at big discounts, any new issue promptly plummetted.)

In theory, trust managers should be exempt from the normal commercial pressures on new issue promoters. But it is easier to pull in money for a fund operating in a fashionable area of the stock market. Hence Laing's second criticism: managers launch funds in markets and sectors which have the best of their growth behind them and are now over priced.

Like its rival, NatWest, Laing believes that substantial investment trust discounts will return, sooner or later. So, shares in most trusts are likely to do worse than the underlying stock market; and those which are still selling at a premium to asset value, or operating in over-priced sectors, are likely to do worst.

We would add one point to Laing's charge sheet, however. Even if the discount itself returns only in a small way, many of the newer trusts now have a small time bomb ticking away: warrants.

Free warrants – the right to buy shares in the trust at a pre-set price for a certain period of time – have been one of the main baits used to encourage investors to buy new trust issues. The warrants acquire intrinsic value only when the share price rises above the subscription price. But they tend to be priced quite highly by the stock market, even when new, in the hope that they will in due course acquire intrinsic value.

So, even if the shares of a new investment trust droop below the issue price, the managers can point to the market price of the warrants and argue that the "package" is holding its value. What they do not point out, though, is that the investor is being bribed with his own money – or, to be more precise, the future proceeds of his existing investments.

Assume the trust's investment portfolio and its own shares do well. This makes it certain that warrant-holders will eventually take up their right to buy shares cheaply. So, the net asset value of the investor's existing shares at that time will fall because of these new claims on the underlying assets.

In effect, the discount which used to eat into share prices at the beginning of the trust's life has now been replaced by a levy later on. And if, in the intervening period, substantial discounts to asset value have again become the norm throughout the trust sector, there will be a second bite on the value of his shares.

Do these Cassandra-like musings mean that all holders of investment trusts should immediately sell the lot? Laing argues that anyone with trusts trading close to, or above, asset value should switch. This could be costly for private investors, quite apart from any gains tax implications. But we do endorse the broker's warnings against buying into shares which are trading near asset value, particularly those of fashionable new issues.

□□□

How suitable that this week was the centenary of the birth of Benjamin Graham, the father of investment analysis. His sceptical comments on new issues have been quoted here before. Here he is on warrants:

"We consider the recent development of stock-option warrants as a near fraud, an existing menace and a potential disaster. They have created huge aggregate dollar 'values' out of thin air. They have no excuse for existence except to the extent that they mislead speculators and investors. They should be prohibited by law, or at least strictly limited to a minor part of the total capitalisation of a company.

"...Why, then, are these subscription warrants created as part of the original capital structure? Simply because people are inexpert in financial matters. They don't realise that common stock is worth less with warrants outstanding than otherwise."**

Happy birthday, Ben.

□□□

Seven weeks ago, this column commended the attractions of fixed-rate mortgages at 7.5 to 8 per cent. This week, we note that equivalent mortgages cost 9.25 per cent. How satisfactory.

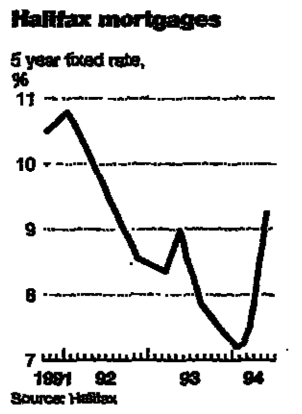
**The Credit Lyonnais Investment Trust Yearbook 1994, price £19.95. Details: 071-588 4000.*

***Benjamin Graham, The Intelligent Investor; Harper & Row, New York. $30.*

AT A GLANCE

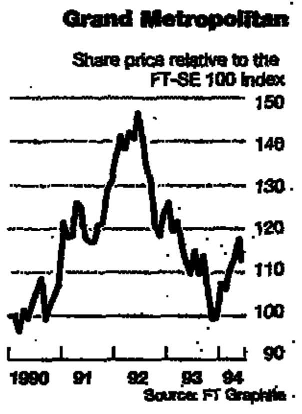
Finance and the Family Index

Halifax mortgages



Source: Halifax

Grand Metropolitan



Source: FT Graphite

Sharp rise in five-year fixed rate mortgages

Five-year fixed rate mortgages have increased steeply this year. The chart shows Halifax's since its first issue in October 1991. Its cheapest five-year fix of 7.20 per cent in January this year was less than its standard variable rate of 7.64 per cent and a real bargain compared to its latest five-year 9.25 per cent fix issued this week. Cheaper five-year fixed rates are still available; for example, Alliance & Leicester has one at 8.49 per cent, National & Provincial, 8.45 per cent and National Westminster bank, 8.59 per cent.

GrandMet share price blow

Grand Metropolitan, the international drinks and food company, has seen an improvement in its share price relative to the FT-SE 100 index since the end of last year after three years of outperformance. However, it expects falling demand in the US drinks market to cost it £40m this year and the share price fell 26p to 457p on Thursday when it announced its interim results.

Fidelity's cash withdrawal card

Fidelity is adding a cash withdrawal card to its cash unit trust, which invests in the money markets where banks and other financial institutions lend and borrow. The card is provided by Clydesdale bank and can be used in Midland, NatWest, TSB and Link cash withdrawal machines. It allows daily withdrawals of up to £200 with no minimum. The card is only available to those with £5,000 or more invested in the fund. The initial charge of £5 is being waived until May 31.

ProShare conference plan

ProShare, the organisation which aims to promote deeper and wider share ownership, is staging a conference with ShareLink for investment clubs and private investors. The conference will be held on Saturday July 16 at the International Convention Centre in Birmingham. Tickets cost £30 plus Vat (£25 for ProShare members or ShareLink customers). Details: 021-200 7755.

Smaller companies

Smaller company shares continued their downward slide this week. The Hoare Govett Smaller Companies Index (capital gains version) fell 0.7 per cent to 1740.84 over the week to May 12.

Next week's finance and the family

The importance of pensions transfers is spotlighted by the Securities and Investments Board, the chief financial services regulator, which will produce advice next week to those thinking of transferring their pension. Next Saturday we will consider its recommendations and list questions to ask your adviser.

Wall Street

Jittery traders hang on the Fed's next move

Is relief for the beleaguered US financial markets just around the corner? Few on Wall Street are willing to make such a firm prediction.

But if this week's positive inflation data is followed next week by a well-timed policy tightening from the Federal Reserve, a floor for US stock and bond prices could be established that provides the foundation for a calmer, if somewhat less exciting, summer's trading.

The April inflation numbers may turn out to be the key. On Thursday, Wall Street's analysts were expecting to hear that the producer price index had risen 0.2 per last month. Instead, they were told that the PPI fell in April by 0.1 per cent.

Even excluding the unpredictable food and energy components, so-called "core" producer prices rose by only 0.1 per cent, a figure that was also below expectations.

Then, yesterday, analysts were looking for a rise of 0.3 per cent in the April consumer price index. They were surprised to find that the CPI advanced by only 0.1 per cent last month, while core consumer prices also rose by less than forecast.

Taken together, the April inflation data could barely have been more encouraging for stock and bond investors worried that the inflationary fires were being fanned by the strengthening economy.

Understandably, the markets reacted positively at first to the inflation news, with the benchmark 30-year bond rallying 1.5 points on Thursday morning – a move which lowered the yield on the issue to under 7.5 per cent and provided a firm boost to share prices. But the warm glow faded quickly and, by yesterday morning, both stocks and bonds were flat in spite of the promising CPI release.

Markets failed to build on Thursday's gains because, once the inflation data was out of the way, investors turned their thoughts quickly to monetary policy and what the Fed's policy-making open market committee (FOMC) might decide at its next meeting on Tuesday.

Wall Street knows what it would like the FOMC to do: put up interest rates one more time as a precautionary move against inflation. The federal funds' rate – the interest level at which banks lend money to each other overnight – is now 3.75 per cent but the markets would like the Fed to raise it to at least 4 per cent, perhaps even 4.25.

At the same time, it would be well received if the Fed also decided to raise the more important discount rate – the rate at which it lends money to the banks. During the recent round of monetary policy tightenings, the discount rate has remained at 3 per cent, but Wall Street now would like to see it at 3.5.

If (and it is not that big an "if" judging by all the comments and whispers coming out of the Fed lately), interest rates are raised on Tuesday or soon after, then the bond market – mindful of the recent encouraging PPI and CPI figures – might finally be persuaded to drop its inflation obsession, and the apparently inexorable climb in long-term interest rates could be halted at 7.5 per cent. After a suitable period of consolidation, long-term bond yields might then start slowly coming down again.

Lower bond yields would help to restore the stock market's confidence, and a floor for the Dow Jones Industrial Average, which has fallen 9 per cent since the Fed started raising rates in February, could be established at around 3,600. Investors would then start to believe that the Fed had completed its round of tightenings and that the "correction" in financial markets was over.

There is one flaw in this rosy picture, however – the possibility that the Fed will raise rates next week, but not by enough to appease the bond market.

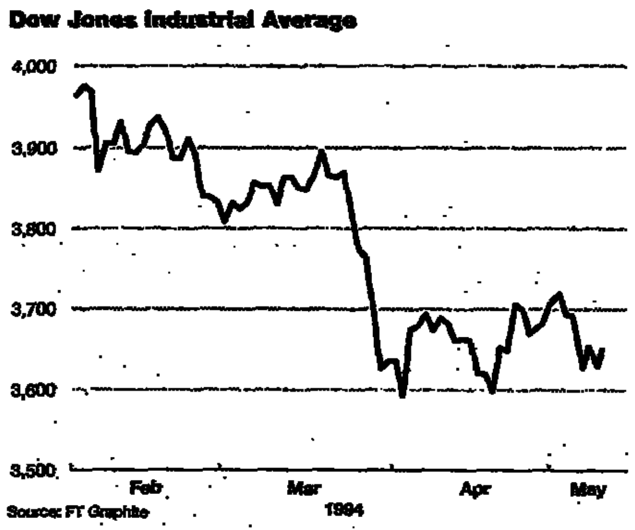
A quarter of a percentage point increase in the federal funds and the discount rates would not be enough to satisfy bond market investors; and if the Fed chooses to leave the discount rate alone, it could be a potential disaster, with prices tumbling and long rates soaring as investors express their doubts about the central bank's anti-inflation resolve.

The possibility that the Fed will raise rates by only 25 basis points is a real one because, until the Bundesbank cut German interest rates on Wednesday, almost everyone believed US rates would have to go up by 50 basis points to slow down the economy and support a very weak dollar. But, in terms of helping the dollar, the German rate cut might have done the Fed's work for it.

If US policy-makers feel that an increase of 25 basis points is all that is needed to keep the lid on domestic inflationary pressures, there could be more trouble, not relief, around the corner for Wall Street.

Patrick Harverson

Dow Jones Industrial Average



Source: FT Graphite

Monday	3629.04 – 40.46
Tuesday	3656.41 + 27.37
Wednesday	3629.04 – 27.37
Thursday	3652.84 + 23.80
Friday	

The Bottom Line

How essential is Sainsbury?

Sainsbury, according to its advertisement campaign, is "essential for the essentials". But after months of gloom surrounding the grocery market, investors may be wondering whether its shares are still an essential holding.

Its detailed but complex results statement on Wednesday made the answer to that question little clearer.

The halving of reported pre-tax profits from £732.8m to £368.8m was misleading, as much of it was accounted for by accounting changes. A one-off write-down on property values knocked £341.5m off the bottom line, and a new, recurring depreciation charge on buildings a further £38.7m – after Sainsbury bowed to pressure from investors to take a more realistic attitude to property values and depreciation.

A reorganisation of head office and distribution functions, involving 650 job losses, cost another £28m.

Without the charges, pre-tax profits would have risen to £777m (although that includes a £7m profit on property sales), which beat Sainsbury's downbeat prediction in January of only a "small" rise.

Nevertheless, the increase lagged well behind the double-digit percentage increases Sainsbury had turned in every year for the previous decade.

The problem was not with Sainsbury's other retail businesses – Homebase, the DIY chain, Shaw's, the US supermarket group, and the Savacentre hypermarkets.

The slow-down was in the core supermarket chain – which still accounts for almost 80 per cent of group sales and more than 80 per cent of its operating profits. The supermarkets' operating profits rose only 2.3 per cent in spite of a 7.1 per cent sales increase.

That was the result of several factors. One was that food price inflation averaged a 25-year low of 1.5 per cent. Inflation is, in many ways, the retailer's friend, as it means the value of stock rises between the time it is bought and re-sold to customers, boosting the profit margin.

The main factor was the intense price competition that forced Sainsbury to cut prices on 300 own-label lines in its so-called "essentials" campaign. The competition was sparked by the growth of a new breed of cut-price discount chains and moves to lower pricing by rivals such as Asda and Gateway; and, some would suggest, the growing surplus of floorspace in the grocery market. The campaign knocked 0.4 percentage points off Sainsbury's gross margin – which had been rising steadily.

The crucial question is whether margins will continue to fall. David Sainsbury, chairman, insisted they had stabilised.

He said the industry had gone through a one-off repositioning on margins, akin to that in 1977, when there was a similar upsurge in discounter activity and Tesco launched a price-cutting operation.

Others disagree. Graeme Bowler, chief executive of the UK's largest food discounter Kwik Save, warned the day before Sainsbury's results that intense pressures on price were here to stay.

Whether or not margins continue to decline, the food market will be tough, and growth opportunities for Sainsbury's core superstore chain limited.

The group is, however, conducting the most wide-ranging review of its superstore operations for many years, and says likely cost savings are £65m a year.

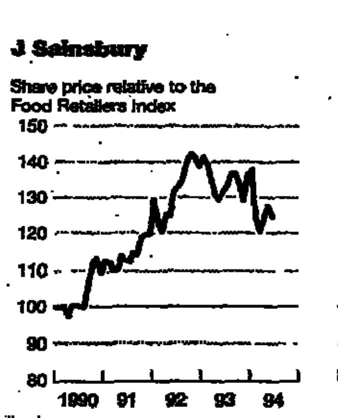
There may be other reasons to hold on to the shares. Sainsbury is shifting the focus of expansion on to its other businesses. Moreover, the company said on Wednesday it would look at other opportunities in the US.

If it does not make a further acquisition there, then with capital spending expected to fall slightly, Sainsbury's highly cash-generative nature may create scope for increasing the dividend. In a difficult market, Sainsbury is further down the road in terms of diversification and efficiency than its biggest rivals, Tesco and Argyll, owner of Safeway.

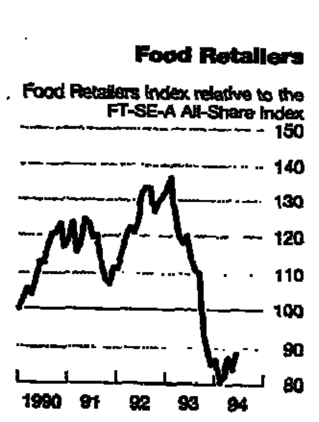
As to whether Sainsbury's shares are worth buying, on a price/earnings ratio which is a 12 per cent discount to the market they are becoming attractive. Any further weakness, and they might once again start to look essential.

Neil Buckley

J Sainsbury



Food Retailers



Source: Datastream

Foreigners keep the whip hand in Tokyo

***Neil Kerr** looks at the continuing conflict between bulls and sceptics*

The tug of war in the Tokyo stock market continues. On the one hand are the international funds, for the most part very bullish, which have invested $40bn net so far this year (against $30bn in the whole of 1993). On the other are sceptical domestic investors, whether individual, corporate or institutional. On balance, they are sellers of shares.

The conflict shows no signs of an early resolution. So far this year, the market's rise of 10 per cent (18 per cent in sterling terms) represents a handsome outperformance of all major world markets. The foreigners still have the whip hand.

Just how long their nerve would hold if the yen/dollar exchange rate were to fall below 100 for any length of time is the big question. That is because the bulls' main assumption centres on an economic recovery after almost three years of accelerating downturn (last year's rise of a minuscule 0.1 per cent in gross domestic product was the worst performance since 1974).

The key to recovery is domestic consumption. Rising real incomes are expected to support increased consumer spending and residential investment, while public investment remains exceptionally strong as a result of the government's previous pump-priming measures. Consequently, consensus estimates of economic growth are edging up, to around 1 per cent this year and 2 per cent-plus next.

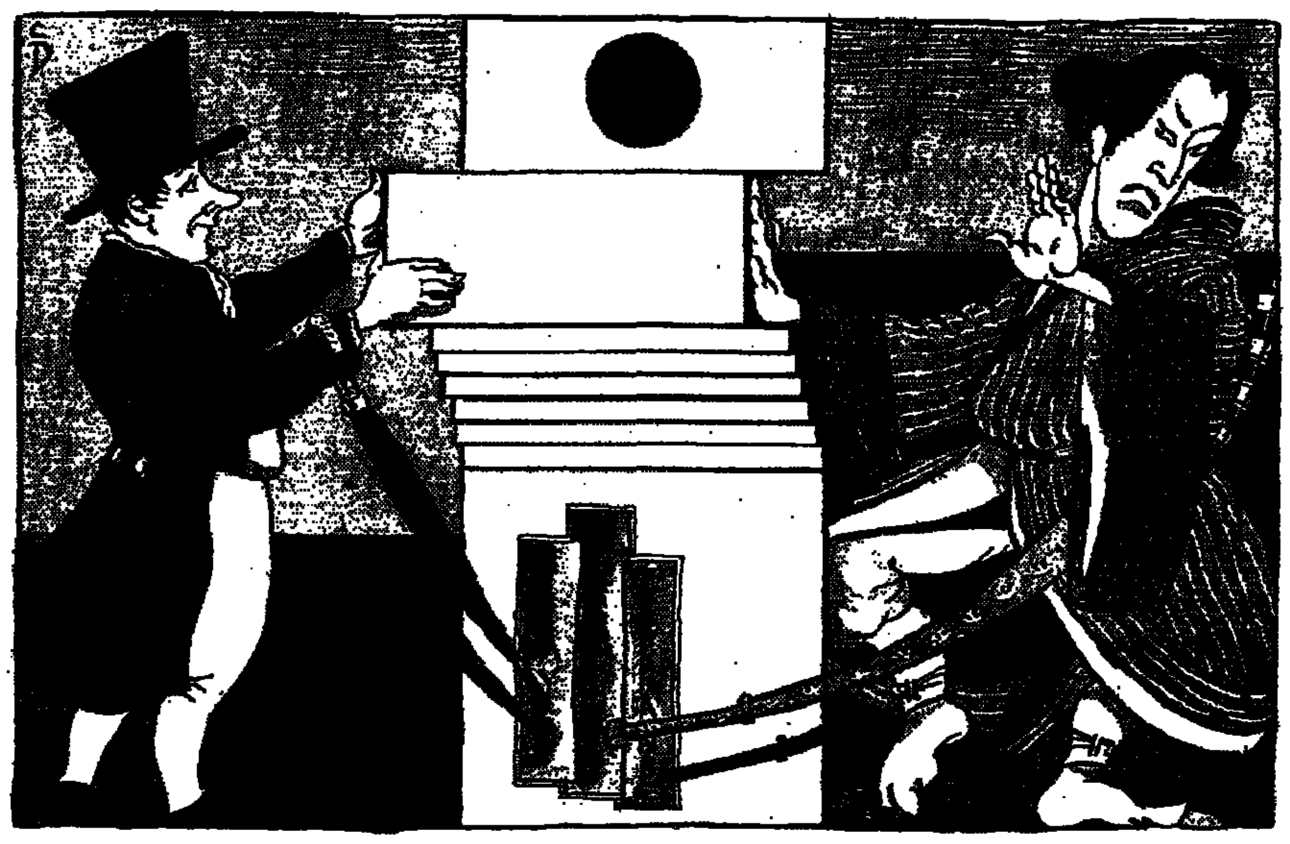
These bets would be in jeopardy if the yen – which, by most fundamental measures, is already at least 20 per cent over-valued against the dollar – were to be forced even higher. The depressed export sector would be crushed further and the still-fragile recovery in domestic consumption might be unable to withstand this latest in a series of deflationary shocks.

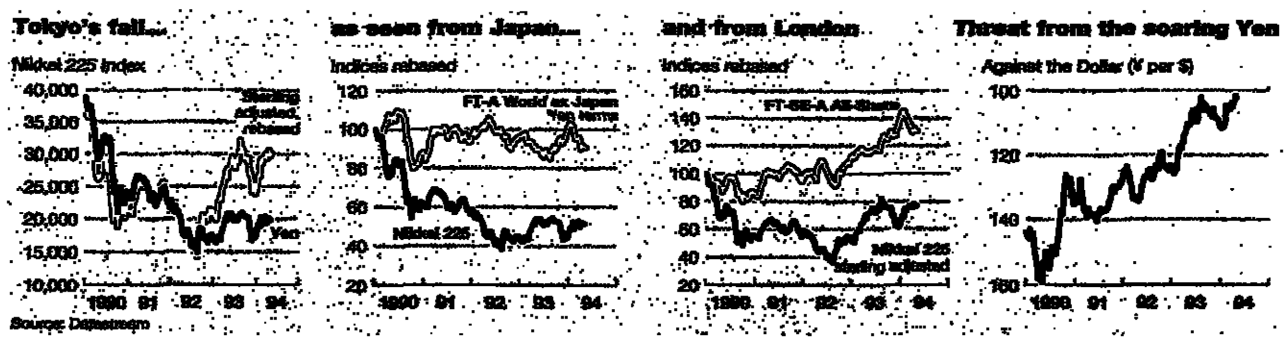
The optimists, however, see this currency threat as transitory. The yen's 13 per cent rise this year has been essentially political, prompted by the trade dispute with the US over Japan's enormous current account surplus ($131bn in 1993). But this surplus is expected to decline sharply because of the yen's total 25 per cent appreciation since the beginning of 1993.

What is more, despite the instability of the Japanese government, the bulls take more or less for granted that an agreement will be reached with the US eventually. This will involve the much-discussed radical deregulation of the domestic Japanese market (involving greater access for American goods and services) and continued measures to stimulate the Japanese economy.

Such a programme is in the evident interests of both parties. The alternative – a trade war which, among other things, would threaten a collapse of the US bond market as Japanese capital was repatriated – is almost unimaginable.

On this sanguine reading, Japanese-American accord should accelerate the forces already working for a more realistic valuation of the yen.





Not only is Japan's current account surplus past its peak, but the present sharp upward moves in US interest rates will stem the capital outflows from New York which have so undermined the dollar in recent months.

The fact that the US administration is now alert to the perils of its undervalued currency (and is prepared to put its money where its mouth is) further confirms the bulls of the Tokyo market in their economic optimism.

If you accept the key assumption that the Japanese economy is in the early stages of a sustained recovery, then rationalisations of Tokyo's present stock market valuations demand only a modest suspension of disbelief. After the 60 per cent or so decline in corporate earnings over the past three distressed years, the historic 1993/94 p/e multiple for the Tokyo market is around 85. The dividend yield is a shade under 1 per cent.

Even by Tokyo's traditionally exalted standards, these are very full valuations, whether in an absolute sense or measured against 10-year bond yields of 4 per cent (after their rise during the international bond shake-out) and three-month interest rates of 2¼ per cent. Only on a price/cash flow basis, which allows for such factors as unusually large depreciation charges, does the Japanese ratio of 10 look attractive on an international basis.

Yet, the effect of even tentative economic recovery on corporate profits – now an historically low proportion of national income – could be remarkable. This is because of the uniquely high operational gearing of Japanese companies.

Owing to very high fixed and semi-fixed costs, such as wages, even small improvements in sales will have a magnified impact on profits. Such a stimulus to sales could come not just from underlying economic recovery but also from greater monetary relaxation by the Bank of Japan. With an annual inflation rate of under 1 per cent the case for further reductions in short-term interest rates is compelling.

Pauline Pong, who runs M&G's flagship Japan fund, is typical of those portfolio managers who see Tokyo as an outstanding recovery play. In her view, the potential for strong corporate earnings growth over the next few years is substantial and "likely to have been under-estimated by many analysts".

Such sentiments cut little ice with most local investors. Their caution continues to be shaped by the continuing psychological fall-out from the collapse of the late 1980s' "bubble economy", and its accompanying devastation of the financial system.

Domestic confidence is unlikely to return to the stock market until the economic recovery has acquired tangible shape. The beguiling sales pitch so popular in the West – which focuses on the fact that the level of the Tokyo market is still barely half its 1989 peak – still finds few local buyers.

Small – but growing fast

The Japanese investment trust sector is small but has been expanding rapidly this year. A new smaller companies trust, Fidelity Japanese Values, pulled in £105m while a conversion share issue by the long-established Fleming Japanese fund raised £162m in February.

Now, another existing smaller companies fund, Baillie Gifford Shin Nippon, is trying to raise new capital and Schroders is launching a new general fund, Schroder Japan Growth.

New issues are popular now because existing trusts have mostly been trading at premiums to net asset value. This means you pay more for the shares than their assets are worth, as well as paying dealing charges.

If you buy a new issue, you pay only the issue expenses, which rarely amount to more than 4 per cent. So, if an existing trust is at more than a 4 per cent premium, a new issue looks cheap.

There are good arguments against buying investment trust shares at a premium. Premiums result from surges in demand and are, generally, short-lived phenomena.

If you buy a trust at a 10 per cent premium, it might have dropped to a more normal 5 per cent discount a few months later. Even if the fund's underlying asset performance is good, this still means your profits are eroded by about 15 per cent.

Recent research by broker Credit Lyonnais Laing found that Japanese trusts bought at a premium underperformed the market consistently. The firm picked two trusts and tracked them over a year, following any period when they were at a premium. It found the share prices underperformed by an average of 18.1 per cent and 9.9 per cent over the 12 months.

What, then, do you do if you think Japan looks a good bet but (a) are not keen on new issues and (b) the investment trust run by the manager you like is carrying a hefty premium? The answer is to check whether the manager also has a Japanese unit trust under his wing. Most do.

Schroder, for instance, has several Japanese unit trusts with a good track record. The connection between trusts is not always obvious: the Save & Prosper unit trust is run by the same group as the Fleming Japanese investment trust.

When investment trusts are at a reasonable discount, you would generally do better to buy them than a unit trust; when investment trust shares rise much above asset value, the reverse is probably true. Unfortunately, because of initial charges and dealing costs, frequent arbitrage between the two is expensive for most private investors.

Nigel Sidebottom, an investment trust specialist with broker Gerrard Vivien Gray, also warns that it is not always easy to tell when a trust is at a large premium – there is more to it, he says, than the basic discount or premium to net asset value published in the FT every day.

Most Japanese investment trusts also issue warrants which, at some future point, can make a substantial call on the assets of the trust, so diluting the entitlement of ordinary shareholders.

Sidebottom suspects that the market does not price this future dilution fully into the ordinary shares. To get a full share of the trust's capital growth, you would have to buy a combination of warrants and ordinary shares.

When the premium for the package is recalculated, it can be far higher than the printed figure would suggest – an ostensible 3 or 4 per cent premium can turn out to be nearer 16 per cent, which is too expensive by most measures. Thus, Sidebottom is very careful in his choice of Japanese trusts, looking at new issues in a particularly favourable light as well as considering the alternative of unit trusts.

Bethan Hutton

■ *Unit trusts, page VI*

FINANCE AND THE FAMILY

The week ahead

Bass brew goes flat

The results season for brewers gets into full swing this week, with full year figures from Whitbread on Monday, Allied-Lyons on Tuesday, and interims from Bass on Wednesday. A common theme is likely to be that brewing and old-fashioned basic pubs are still doing badly, while pubs relying more on food and leisure are thriving.

The worst figures from the trio are, therefore, likely to come from Bass, the UK's biggest brewer and also an enormous pub operator. Against £229m last year, pre-tax profits this time could be flat or even slightly down.

Whitbread is expected to do better, with pre-tax profits of perhaps £232m against £220m before exceptionals last time. Again, profits from beer and tenanted pubs should be down, but Whitbread is particularly strong on more up-market, restaurant-type outlets.

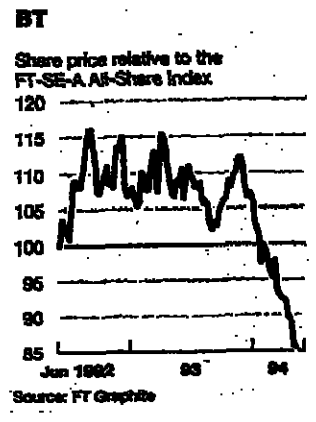
Allied's figures will take a little interpreting since this will be the first full year to show the effects of its brewing joint venture with Carlsberg. The market will be alert for any suggestions that Allied is closer to extricating itself from the venture which, it has hinted already, does not fit its overall strategy.

Sir Iain Vallance, BT's chairman

The actual pre-tax figure is not a matter of debate since it was forecast at £630m at the time of Allied's deal with Domecq in March. This compares with £542m again before exceptionals the year before.

Shareholders will be interested to find out how much the US Peabody coal dispute has cost Hanson, which announces interims on Tuesday; estimates hover around £80m. The conglomerate's profits figure – stripping out the strike costs – should be between £580m and £675m pre-tax, up from £507m. But it is thought the quarterly dividend will be held at 2.85p.

National Power, the UK's largest generator, is expected to increase pre-tax profits by at least 14 per cent from 1992-93's £580m when it announces its results on Wednesday. Dividend expectations are around 12.2p, against 10.6p.



The City will be looking for indications as to how the company is progressing with the potential sale of three to four gigawatts of generating plant following a deal with the industry regulator in February. There are no indications of an early disposal.

Analysts are predicting pre-tax profits for British Telecommunications of around £2.7bn when chairman Sir Iain Vallance announces its full-year results on Thursday. That represents a 40 per cent increase on last year (£1.9bn). But taking account of last year's exceptional items, the increase comes down to a more modest 2 per cent. Strong competition from Mercury and the cable companies has restricted growth. Earnings per share are expected to be around 29p, against 19.8p last year before exceptionals.

Burton, the UK fashion retail group which includes such names as Debenhams, Top Man and Top Shop, Burtons and Principles, is expected on Thursday to report an increase in reported pre-tax profits, after exceptional items, from £30m to about £35m - but a fall in underlying profits. As last year's figure was after an exceptional charge of £11.9m to cover the costs of the move towards greater part-time working, pre-tax profits will actually have fallen.

First-quarter results from British Gas, due on Thursday, are expected to reflect the profits' warning issued by Richard Giordano, chairman, at the annual general meeting last month. He warned that profits were "likely to be at a similar level" to the first quarter last year, when earnings were £650m. Analysts expect that a continuing loss of market share in the mainly commercial segment above 2,500 therms to independent gas marketers will offset any benefits that would normally be expected after a particularly cold winter.

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Ash & Lacy	Eng	50,000	86	1*
Bilton	Prop	23,864	138	5*
BLP Group	USM	50,000	70	1*
Burn Stewart Dist.	SW&C	300,000	330	1
Dickie (James)	Eng	500,000	750	1
EIS Group	Eng	20,000	85	2*
Hodder Headline	Mdia	13,851	52	1*
Huntleigh Technlgy	Eng	20,000	97	1
Lincoln House	HseG	102,320	36	1
Pendragon	Dist	249,000	742	4
P'meirion Potteries	HseG	5,000	27	1
Reed International	Mdia	1,960	16	1*
Reuters	Mdia	52,000	274	1
Seacon Holdings	Tran	100,000	100	1
Smith,(David S.)	PP&P	15,000	80	1
Trinity Holdings	EngV	2,015,000	6146	3
PURCHASES				
Barlows	Prop	80,000	45	1
Canadian Pizza	FdMa	30,500	37	3
Cannon St Invstmts	Divl	60,000	19	1
Groupe Chez Gerard	L&Hl	21,500	25	1
HSBC	Bnks	10,000	71	1
HTV Group	Mdia	10,000	13	1
Radius	SSer	45,000	16	1
Scottish Asian Inv	InvT	5,000	13	1
Secure Retirement	BCon	33,000	19	2
Tarmac	BM&M	250,000	428	1

Value expressed in £000s. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 4-7 May 1994.
Source: Directus Ltd, The Inside Track, Edinburgh

Directors' transactions

Timing it right

Tarmac, the construction giant, announced final results at the end of April. The figures were dragged down by a larger than expected FRS3 loss. Following the disposal of several businesses, though, the remaining core has been performing well.

Sir Anthony Bamford is a non-executive director who has been notable for his strong sense of timing in the past. Prior to the disposal, he bought stock at 70p. His most recent purchase of 250,000 shares at 171p takes his holding to more than 1m.

□ James Dickie, the Scottish engineering firm, has seen its share price rise steadily over the past few years. The prospects for the group are still very good as gearing is brought down. The sale by Joseph Grimmond, the chief executive, of such a large amount of stock has a special explanation. The group felt it lacked institutional shareholders and was keen to benefit from the support that they can bring. Accordingly, Grimmond sold what amounted to 7.8 per cent of the stock to M&G Group.

□ Trinity Holdings makes components for fire engines and rubbish trucks. It announced good final results at the end of April and the share price has been outperforming the market. Three directors have sold stock recently. The largest sale, by chairman Geoffrey Hollyhead, was made for domestic reasons.

Vivien MacDonald, The Inside Track

PRELIMINARY RESULTS

Company	Sector	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Babcock International	Eng	Mar	41,200 L	(21,100)	-	(-)	-	(-)
Bank of Ireland	Bank	Mar‡‡	280,100	(124,300)	35.2	(12.8)	10.5	(9.83)
Brown (N)	RetG	Feb	22,500	(19,000)	20.83	(17.74)	8.0	(7.0)
Chesterfield Props.	Prop	Dec	37,400	(18,100 L)	171.5	(-)	12.0	(11.0)
Chiroscience	Pham	Feb	4,270 L	(1,250 L)	-	(-)	-	(-)
CSC Investment Trust	InTr	Dec¥	133.45	(101.63)	6.88	(2.79)	5.5	(4.00)
DCC	n/a	Mar‡‡	22,200	(14,900)	19.56	(16.82)	5.0	(2.3)
Drayton Blue Chip	InTr	Mar	1,340	(1,510)	8.59	(9.0)	8.4	(8.4)
Dorloe House	n/a	Dec‡‡	419 L	(3,400 L)	-	(-)	-	(-)
Elan	n/a	Mar‡‡	49,500 L	(22,500)	-	(-)	-	(-)
Finlay (James)	FdMa	Dec	13,800	(10,100)	5.0	(4.7)	4.15	(4.15)
Fleming Far Eastern	InTr	Mar	3,485	(2,982)	1.53	(1.17)	1.5	(1.1)
Flextech	Med	Dec	6,260 L	(1,600)	-	(-)	-	(-)
French Connection	RetG	Jan	5,140	(133 L)	17.3	(-)	-	(-)
Hughes (T J)	RetG	Jan	1,600	(1,470)	5.45	5.2	(2.5	(2.3)
I&S UK Smaller Co.Tst	InTr	Mar	737	(973)	2.93	(3.59)	2.8	(2.8)
Jarvis Porter	PP&P	Feb	6,380	(4,780)	14.6	(11.4)	5.2	(4.7)
Parkland	Text	Feb	2,200	(1,600 L)	19.7	(-)	6.0	(2.0)
Pearl	n/a	Dec	130,300	(-)	-	(-)	-	(-)
Prowting	B&C	Feb	4,120	(4,870 L)	3.5	(-)	3.4	(3.4)
REA Holdings	Dist	Dec	1,050	(326 L)	3.2	(-)	4.0	(4.0)
Sainsbury (J)	RtFd	Mar	368,800	(732,800)	8.0	(28.5)	7.6	(7.3)
Scottish Power	Elec	Mar	361,100	(297,100)	31.6	(26.9)	12.4	(11.15)
Smurfit (Jefferson)	PP&P	Jan‡‡	47,800	(65,800)	7.2	(7.8)	4.0	(3.74)
Time Products	Dist	Jan	11,400	(9,900)	15.8	(13.9)	8.5	(7.95)
Walker (JO)	BM&M	Dec	62	(402 L)	7.7	(-)	-	(-)
Warner Howard	SupS	Feb	6,840	(5,910)	21.07	(17.31)	7.91	(6.5)

INTERIM STATEMENTS

Company	Sector	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
API	PP&P	Apr	3,010	(1,970)	3.7	(3.35)
Arlen	E&EE	Dec♦	6,810 L	(719)	-	(-)
Avon Rubber	EngV	Apr	4,900	(5,000)	5.0	(5.0)
Bearing Power Int.	Dist	Mar	404	(257)	-	(-)
Bibby (J) & Sons	Dvl	Mar	12,400 L	(4,800)	1.0	(2.0)
Chemex International	OS&B	Mar	49	(94 L)	-	(-)
Commercial Union	Ins	Mar	64,000	16,000)	-	(-)
Direct Line	Ins	Mar	40,500	(15,000)	-	(-)
Euromoney Public.	Med	Mar	9,010	(5,940)	13.0	(10.5)
General Accident	Ins	Mar	60,400	(41,300)	-	(-)
Glasgow Income Trust	InTr	Mar	448	(480)	1.2	(1.2)
Grand Metropolitan	SW&C	Mar	446,000	(416,000)	5.15	(4.85)
Greenhalls	Brew	Mar	29,000	(25,600)	5.33	(5.08)
Holmes & Marchant	Med	Mar	578	(461)	-	(-)
Hoskins Brewery	Brew	Dec♦	998 L	(37)	-	(-)
Kwik Save	RetF	Mar	65,400	(61,000)	5.75	(5.4)
Lynx	SupS	Mar	406	(106)	0.36	(0.3)
Micro Focus	SupS	Apr	2,900	(2,310)	-	(-)
NMT	SupS	Feb	1,210	(865)	1.5	(1.25)
Northern Leisure	L&H	Feb	1,030	(682)	-	(-)
Royal Bank of Scot.	Bank	Mar	201,000	(89,000)	4.0	(3.0)
Royal Insurance	Ins	Mar	32,000	(2,000)	-	(-)
Shaftesbury	Prop	Mar	1,280	(344)	-	(-)
Shell Trans.& Trad.	Oil	Mar	949,000	(971,000)	-	(-)
Sidlaw	PP&P	Mar	6,900	(4,610)	4.5	(4.25)
Tomkinsons	HseG	Apr	332	(430)	3.5	(3.5)
Vaux	Brew	Mar	10,700	(9,660)	3.35	(3.25)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss. ¥ Net asset value per share. ‡‡ Irish Punts and pence. ♦ 9 month figures.

RIGHTS ISSUES

Headlam is to raise £9m via a 1-7 rights issue of 5.05m shares @ 185p
Jarvis Porter is to raise £17.4m via a rights issue of 7.56m shares @ 230p.

OFFERS FOR SALE, PLACINGS & INTRODUCTIONS

Automotive Precision Holdings is coming to the market with a valuation of approx. £50m
Brewin Dolphin is to raise £6.6m via a share offer.
British Printing Company is coming to the market with a valuation of approx. £250m.
Cassas is coming to the market with a valuation of between £230-£260m.
Chamberlin Phipps is coming to the market with a valuation of approx. £90m.
CLS Holdings is coming to the market with a valuation of £110m.
Denby is coming to the market with a valuation of approx. £40m
Euromoney Publications is to raise £20m via a share placing.

RESULTS DUE

Company	Sector	Annocmnt due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS					
Airflow Streamlines	EngV	Thursday	1.0	2.0	1.0
Allied-Lyons	SW&C	Tuesday	6.95	14.05	7.3
Baring Stratton Inv.Tst.	InTr	Tuesday	-	2.29	-
Baris Holdings	B&C	Friday	-	-	-
Brent Walker	L&H	Wednesday	-	-	-
British & American Film	Med	Wednesday	3.6	8.25	4.275
British Investment Trust	InTr	Monday	1.9	2.6	2.0
British Telecom	Tele	Thursday	6.15	9.45	6.65
City of London PR	Med	Thursday	1.15	2.35	1.27
Delyn Group	PP&P	Thursday	0.5	1.17	0.5
Drayton Korea Tst	InTr	Tuesday	-	0.52	-
Ferguson Intl Hldgs	PP&P	Thursday	4.25	8.25	4.25
Fine Arts Development	RetG	Thursday	3.0	9.75	3.3
Fine Decor	HseG	Thursday	-	-	1.0
Fleming European Fledgling.	InTr	Wednesday	-	0.15	-
F&C German Investment Tst.	InTr	Thursday	-	0.5	-
Hartlepools Water Co.	n/a	Tuesday	22.0	33.0	23.0
Jackson	B&C	Thursday	0.5	1.0	0.5
Lazard Select Inv. Trust	InTr	Friday	-	-	-
National Power	Elec	Wednesday	6.1	1.2	3.75
Ocean Wilsons Hldgs	Tran	Wednesday	0.8	2.4	1.0
Personal Assets Trust	InTr	Monday	-	95.0	1.0
Policy Portfolio	OtFn	Thursday	-	-	1.5
Premier Health	Hlth	Friday	-	-	-
Seafield	OE&P	Tuesday	-	-	-
Siam Selective Growth	InTr	Tuesday	-	1.0	-
Signet	RetG	Thursday	-	-	-
Smith (James) Estates	Prop	Tuesday	1.4	2.8	1.55
Westbury	B&C	Thursday	1.78	3.25	1.75
Whitbread	Brew	Monday	4.75	13.0	5.0
Worth Investment Trust	InTr	Tuesday	-	0.1	-
York Waterworks	Wat	Thursday	3.05	6.2	3.3
INTERIM DIVIDENDS					
Alexander Holdings	n/a	Thursday	-	-	-
Anglo Irish Bank	n/a	Tuesday	-	-	-
Baggeridge Brick	BM&M	Wednesday	0.75	2.375	-
Bass	Brew	Wednesday	5.45	14.35	-
BOC Group	Chem	Tuesday♦	11.6	11.6	-
British Gas	GasD	Thursday‡‡	6.4	8.1	-
Burton	RetG	Thursday	1.0	1.0	-
Cantab Pharmaceuticals	Pham	Monday‡‡	-	-	-
Capital Radio	Med	Thursday	1.74	4.0	-
Celltech	n/a	Monday	-	-	-
Compass	L&H	Wednesday	8.56	2.31	-
Concentric	Eng	Wednesday	1.77	4.09	-
Crabtree	Eng	Wednesday	-	2.0	-
Dellan Lloyd's Inv.Trust	Ins	Tuesday	-	-	-
Diploma	Dist	Monday	3.5	8.5	-
Dobson Park Industries	Eng	Friday	1.2	2.55	-
Fenner	Eng	Monday	-	-	-
Group Development Capital	InTr	Wednesday	-	-	-
Goldsborough Healthcare	Newl	Thursday	-	-	-
Hanson	Dvl	Tuesday	2.85	2.85	-
Huntingdon Intl Hldgs	Pham	Monday	0.875	1.9	-
New Zealand Inv Tst	InTr	Wednesday	0.5	0.8	-
Ptarmigan Int.Cap.Trust	InTr	Wednesday	-	0.825	-
River & Merc. Amer.Cap & Inc.	InTr	Tuesday	-	-	-
River & Mercantile Trust	InTr	Thursday	-	-	-
Sanderson Electronics	SupS	Tuesday	-	5.4	-
Scottish Value Tst	InTr	Tuesday	0.85	0.95	-
Sec.Endowment Contracts	OtFn	Thursday	-	-	-
Sedgwick	Ins	Tuesday‡‡	-	-	-
SEP Industrial	n/a	Thursday	-	-	-
Willis Corroon	Ins	Thursday♦	1.65	1.65	-
Wolverhampton & Dudley	Brew	Friday	4.7	7.9	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. Reports and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results. ‡‡ 1st quarterly. ♦ 2nd quarterly. ★ 3rd Quarterly

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
Prices in pence unless otherwise indicated					
Bredero Props.	10*	10½	16	3.70	Slough Estates
Clayton, Son	126*	127	117	3.40	Motherwell
Europa Mins	82.2	57	-	15.00	Burmine
In Shops ‡	116	113	83	59.36	Sirdar
Hogg Group	255*	254	234	176.60	Inchcape
LASMO	150	159	162½	1450.0	Enterprise Oil
LWT ‡	786§§	724	585	813.11	Granada
Linread	228	211	153	27.80	McKechnie
Magellan Inds	183	165	173	46.62	Claremont
Molynx	23.85	22	23	5.01	Silverines
Newspaper Pub.‡	355*	350	350	78.00	MGN Consortium
Southern Radio	115*	116	93	32.60	Capital Radio
James Wilkes	180	185	160	23.40	Suter

*All cash offer. §For capital not already held. ‡ Unconditional. **Based on 2.30 pm prices [illegible]. §§Shares and cash.

FINANCE AND THE FAMILY

Where your money goes . . . unit trusts

The true costs of investing

The government is taking the lead in forcing financial companies to disclose their true costs. High charges nibble away your profits and they are not always easy to spot unaided.

Low charges will never make up for a bad investment performance, but high charges can seriously damage even a good investment performance. Our new series shows you how to check out the costs before you have tied up your money. We explain:

■ What all the different costs are.

■ What the standard charges are for different types of investment.

■ Where to find the figures you need. And we provide a cost check-list for your own use.

We will be covering all the major types of investment: unit trusts, investment trusts, personal equity plans, shares, life insurance and pensions.

The series begins this week with unit trusts. Next week, we cover investment trusts.

Unit trusts can be a cheap way to buy investment expertise and spread risk across a range of shares, especially where small sums of money are concerned. Investing directly in shares can be expensive, not least because of high minimum dealing costs. But unit trusts should cost less than direct share investment because of the economies of scale which fund managers have.

■ The basic charges

When the money is not working for you, here is where it goes. The annual management charge is the easiest to spot. It can be as low as 0.5 per cent (for some indexed funds and bond funds) or a more typical 1 to 1.5 per cent – and, occasionally, more than 1.5 per cent.

With a 1.5 per cent charge, £15 will be deducted for every £1,000 of the value of your units once a year. In practice, a lower charge could be deducted more often – for example, half the annual charge twice a year, or one-12th every month.

The initial charge is more complicated. It is, typically, 5 to 6 per cent of the money you put into the trust. On an investment of £1,000, therefore, the charge would be £50 to £60.

Around three percentage points (ie, £30 of that £50 or £60) might be used to pay commission to the intermediaries who sell the trust. For this reason, the initial charge is the one cost you might be able to reduce.

If you buy units through a commission-based adviser, you can try to negotiate a cut in the commission he takes – which would leave more money to buy units. Similarly, you might be able to negotiate a reduction if you buy direct from the management company. The more you have to invest, the more chance of success in negotiating a reduction.

The bid/offer spread is a better way of measuring the initial costs of investing than the quoted initial charge. You buy units at the offer price and sell them at the bid price. The difference between the two is the spread, which can vary greatly from one type of trust to the other.

The spread includes the initial charge. But while that might be 5 per cent, the spread can be higher – perhaps nearer 6 per cent, or more. This is because, on top of the initial charge, the fund manager adds the dealing costs which he incurs when buying and selling shares, including the spread on the underlying shares. And the unit trust spread can get slightly wider or narrower, depending on market conditions.

There is another complication. Bid/offer spreads are allowed to move within a broader range of, for example, 8 per cent: in other words, the maximum permitted offer price could be 8 per cent higher than the minimum permitted bid price. So, the buying price could be at the top of the overall 8 per cent range, with the selling price 6 per cent lower; or the selling price could be at the bottom of the overall range of 8 per cent, with the buying price 6 per cent higher.

Fund managers will move to the lower end of the range if lots of investors are selling, but go higher if there are lots of buyers.

■ New charging structures

Unit trusts are restricted in how they can charge investors. But the rules are under review, and it is possible that a single pricing structure could be introduced soon. So-called single pricing might not save investors any money, but it could make it easier to spot the charges.

Meanwhile, some management companies have found ways round the unit trust rules by experimenting with Pep charges. The main innovation, first brought in by Fidelity, is to reduce the initial charge to around 2 per cent but to add an exit charge if you cash in early. Fidelity charges 3 per cent in year one, reducing to 0 per cent in year four – so loyalty is rewarded.

■ How to find the charges

You should be able to find details of charges in sales leaflets. Sometimes, though, they may be buried right at the back of a leaflet among the small print.

Bid/offer spreads also are more likely to be found there. It is probably wise to ask an adviser or the management company what the usual spread has been. Find out, also, the extent to which the spread has moved within the broader permissible range.

The prices' pages in the *Financial Times* give bid and offer prices as well as cancellation prices. These are the lowest bid price allowed taking account of the trust's assets.

If cancellation and bid prices are the same, the spread is at the bottom end of the broader range. Sellers will be getting the lowest possible cash-in price for their units, but buyers will get relatively cheap units.

■ The effect of charges

Take two funds, Gartmore British Growth and Gartmore UK Equity Income, in which £10,000 was invested five years ago. The annual charge is 1.5 per cent each. Assuming all dividends have been re-invested, the value when we did our test was:

□ Five years zero charges: British Growth £24,270;UK Equity Income £18,862.

□ Annual charges, but no bid/offer spread (offer to offer basis): British Growth £22,590; UK Equity Income £17,330.

□ Actual returns (offer to bid basis): British Growth £21,100; UK Equity Income £16,200.

The managers of these funds would need to increase the value of investments by around 6.5 per cent for the investors simply to get back the money they invest.

How long it would take to reach that stand-still point depends very much on how fast markets are rising.

■ Do costs matter?

Some people argue that costs are irrelevant. What counts is performance. Choose fund managers who put more money consistently into the hands of their unit-holders. It does not matter that they may also be making more for themselves along the way.

In practice, though, charges cannot be ignored completely. The higher the charges, the greater the skill a manager needs to turn in a decent profit. And if you end up holding the same fund for five to 10 years or more, initial charges may have less impact on the overall return than the annual charge.

Certainly, if you choose an income fund because you want income (and do not want to re-invest dividends), think twice before choosing one with a high annual charge.

Consider, too, that even if a fund rises in value, investors get the same amount of money in their hands whether 3 per cent is taken off at the beginning or the end.

Anthony Bailey

COST CHECK

If you cannot choose between different funds, charges could be the deciding factor. Here is a cost comparison list

	Fund A	Fund B
Date		
Offer price		
Bid price		
Immediate bid value of £1,000		
Bid/offer spread %		
Maximum possible difference between bid and offer prices %		
How has the spread actually moved within this range?		
Initial charge %		
Is commission negotiable?		
Annual charge %		
Exit charge %		

New issues

3i takes off

The flotation of 3i, the UK's largest venture capital supplier, as an investment trust is now firmly on the launch pad, *writes Richard Gourlay.*

The group said a quarter of the shares it is selling in the planned summer flotation are likely to be made available for private investors. The high street banks and the Bank of England, which own 3i, are likely to sell only about a third of the equity for about £500m.

Details are still scarce ahead of the publication of a pathfinder prospectus later this month and the public offer by the end of June. But the price is likely to be based on a discount to the net asset value due to be published with annual results later this month.

The flotation will be not only the largest but one of the most interesting new issues available to private investors this year. 3i will provide one of the few ways for individuals to invest in a relatively liquid way in a well-diversified portfolio of unlisted companies. The group provides equity, debt and mezzanine finance to unquoted companies seeking expansion capital, funds for management buy-outs and buy-ins, and start-ups.

Earlier this year, 3i also started managing and investing funds provided by other financial institutions. This will increasingly provide 3i with fees, raising its return on assets.

□□□

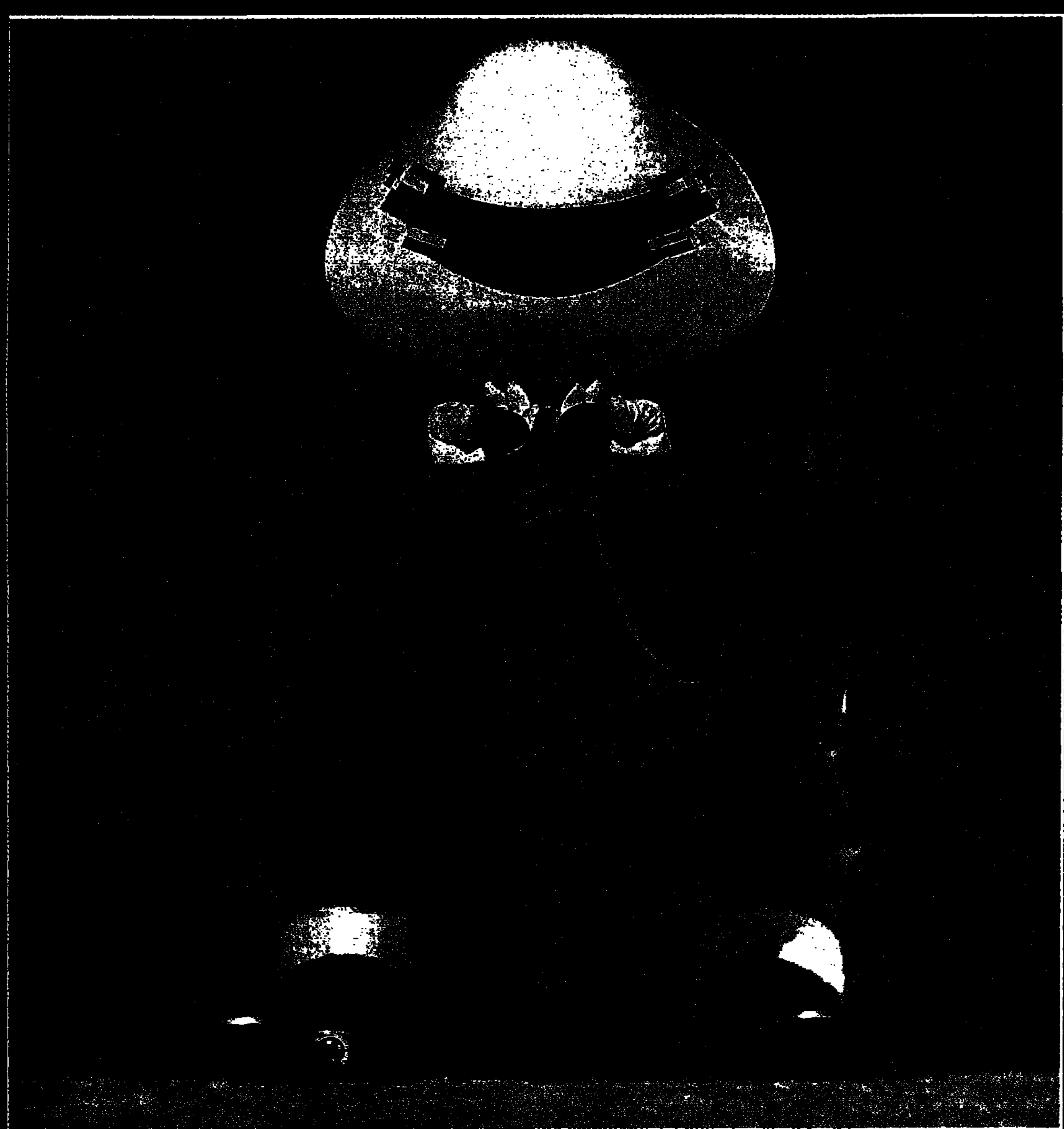
Investors are being offered another slice of London property. But the unusual feature of the intermediaries' offer for shares in CLS Holdings is that those interested can buy in at 15 per cent below the estimated value of the company, *writes Simon Davies.*

CLS is a property investment concern with a 10-year track record. Run by the two Mortstedt brothers, who switched from Swedish to British properties early in the 1980s, it made an astute call on the market in 1989 and was able to gear up investment at lower prices last year.

The company is offering 45.04m new shares at 111p, representing 46 per cent of the company, at a value of £50m. But a maximum of half of these shares are on offer through intermediaries. The shares offer a notional yield of 5.5 per cent at the issue price.

Most of the company's properties are within the M25 and are forecast to provide net rental income of £25m in the present year. Pre-tax profits should reach £8m.

The issue is sponsored by UBS and Apex partners and applications must be in by noon on May 23. Trading should start on May 27.



The strange story of Japan's unit trusts

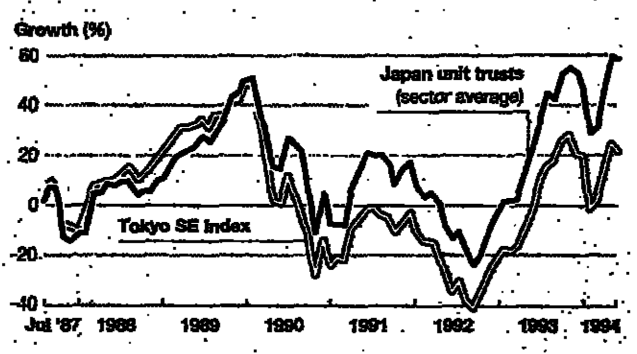
***John Cuthbert** analyses the reasons for a market phenomenon*

Table A: How funds perform in bull and bear markets

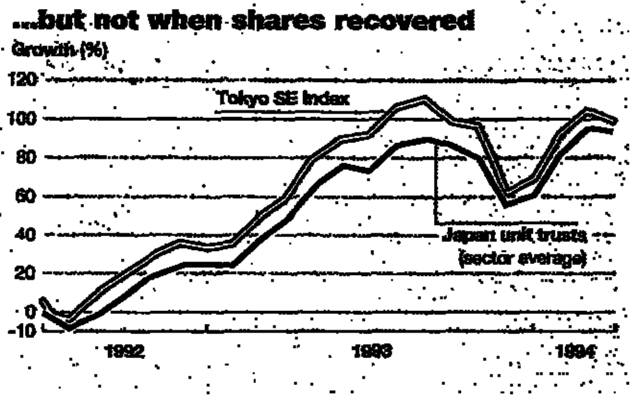
	Loss Return 29/12/89 -30/6/92	Loss perc* rank	Gain return 1/7/92- 28/2/94	Perc change
■ **SMALL CAP FUNDS**				
Schroder Japan Smlr Cos	-22.01	1	44	+43
Dunedin Japan Smlr Cos	-24.30	5	13	+8
NM Japan Smlr Cos	-40.11	26	89	+63
Fidelity Japan Smlr Cos	-38.55	19	32	+12
Invesco Japan Smlr Cos	-45.75	68	19	-49
M&G Japan Smlr Cos	-45.35	50	15	-35
Save&Prosper Jap Smlr Cos	-45.00	50	82	+32
Average	-37.30			
■ **GROWTH FUNDS**				
Perpetual Jap Growth	-26.40	5	15	+10
Stewart Ivory Japan	-27.37	6	60	+54
Gartmore Japan	-36.30	16	8	-8
Schroder Tokyo	-39.93	27	11	-16
Prov Mutual Jap Growth	-35.96	15	5	-10
Confederation Japan	-38.82	31	36	+5
James Capel Japan Growth	-37.73	32	34	+2
Allied Dunbar Japan	-45.17	56	3	-53
Thornton Japan	-40.52	27	48	+21
Average	36.50			
■ **TECHNOLOGY and SPECIAL SITN FUNDS**				
Kleinwort Benson Jap Spec	-43.11	37	31	-6
Hill Samuel Japan Tech	-42.49	34	44	+10
Barclays Uni Jap Spec Sits	-38.76	21	27	+6
Average	-41.5			

KEY: The table compares total return performances for the top quartile of risk-adjusted return funds over two distinct periods – one of sustained gain, and one of sustained loss. The percentile rank of each fund's loss and gain return are shown in columns three and four respectively from the left. The percentile rank expresses each fund's position in its sector as a proportion of 100 where the top fund is 1 and the bottom is 100. This makes it easier to see quartile (units of 25) and decile (units of 10) positions. The percentile rank of NM Japan Smaller Companies crash loss of 26, for instance, says that it is in the top 26 per cent, namely, just outside the top quartile (25 per cent) or third decile. Changes in percentile rank for the loss and gain returns reflect the relative strength of each manager's loss and growth management performance; that is relative to the sector also. Total returns: HSW. All calculations: J.P. Cuthbert.*

Trusts did well overall...



...but not when shares recovered



Something extraordinary has happened in the Japan unit trust sector over the past five years. Since 1989, the sector has – on the face of it – outperformed the Tokyo Stock Exchange (TSE) index regardless of whether the Japanese market rose or fell (see top chart). No fewer than 60 of 62 Japan trusts beat the TSE over the period.

How has this happened? There are three reasons.

■ First, Japan funds have done better since 1989 for the simple reason that they did less well previously.

Between 1986 and end-1989, Japan unit trust managers avoided the highly-valued fashionable plays – so beloved by the locals – that lifted the TSE to a new high. When the crash hit the Japanese market at the end of 1989, the highly-valued high-flyers that had driven up the TSE pre-crash became the laggards which then dragged it down.

Avoiding these types of stocks had led to underperformance for Japan funds in a bull phase. Now, it meant outperformance in a bear market. Over the 30 months the crash lasted, the average Japan fund fell 45.6 per cent against a fall in the TSE of 58.6 per cent.

■ Second, a lot of Japan funds have taken considerable advantage of the high returns from the burgeoning over-the-counter (OTC) market in small capitalisation stocks.

Japanese investors usually ignore these. But in a market where the average earnings of large cap stocks have fallen four years in a row, it is surprising that the positive earnings of small cap stocks have moved more to centre stage.

The fact that small cap exposure of Japan funds has risen dramatically, and fund returns with it – the average discrete total return of the eight Japan small company trusts with five-year records to February 28 1994 (79.27 per cent) is almost twice that of the 48 growth funds (40.9 per cent) over the same period – says much about why a performance comparison of the Japan sector with the TSE, an essentially large cap index, can be misleading.

■ Third, and most important, is that any reading of the past five years of performance history is dominated by the effects of the 1989-92 crash.

Yet, it is quite clear from our top chart that the past five years have covered two quite different periods of performance – one of sustained loss, the other of sustained gain. Decoupling these provides a very different picture of performance altogether.

The bottom chart shows the sector's performance relative to the TSE from the beginning of the period of gain at the end of June 1992. This time round, the sector has underperformed the TSE, rather than the reverse.

This finding has two important implications. First, it warns investors to be on their guard. It is all too easy for most established Japan funds to puff up their five-year performance by using a cumulative performance chart relative to the TSE, as we did at the start of this article.

Normally, this would be acceptable. But when virtually the whole sector has beaten the TSE – something which is not normal – then it becomes a highly devalued meter of performance assessment. Then again, our reading of Japanese investment history suggests that placing equal emphasis upon loss management, as well as upon total return, is of special importance in judging the performance of Japan unit trusts. Moreover, having two periods of markedly different conditions – one of loss and one of gain – provides us with a robust means of testing if Japan fund managers have all-weather managerial abilities.

Look at Table A. Here, we have taken the upper quartile of the sector on a five-year, risk-adjusted return basis and then split it into its individual investment orientations – small cap, growth and technology/special situations – to allow better performance comparisons.

Column 1 of this table shows the negative total return, or crash loss. Column 2 shows the percentile rank of each fund's crash loss (1 is the highest and 100 the smallest).

Column 3 then shows the percentile rank of each fund's total return – this time, a gain – from the end of the crash period to the end of February, 1994. The final column, percentile change, illustrates the degree to which a manager has been better at managing growth or loss relative to the rest of the sector.

Table B: Pick of the crop

	Year	Total Return %	Bench-mark	Risk relative to sector	Risk Description	Risk/ Return
■ **GROWTH FUNDS**						
Perpetual	1989	54.16	46.31			
Jap	1990	-8.36	16.31			
Growth	1991	-2.17	20.06			
	1992	16.97	5.25			
	1993	54.44	16.74			
	Total	107.93	7.02	0.86	Below average	0.25
Stewart	1989	1.07	18.92			
Ivory	1990	-0.62	23.87			
Japan	1991	1.34	12.35			
	1992	14.22	2.5			
	1993	40.84	3.14			
	Total	73.26	4.76	0.84	Below average	0.18
Gartmore	1989	10.68	18.53			
Japan	1990	-5.06	19.43			
	1991	-7.05	3.96			
	1992	18.79	7.07			
	1993	55.75	18.05			
	Total	75.26	4.89	0.89	Below average	0.17
Provident	1989	-10.6	-2.75			
Mutual	1990	-2.82	21.67			
Japan	1991	0.84	11.65			
Growth	1992	23.92	12.2			
	1993	53.16	15.46			
	Total	68.15	4.43	0.93	Average	0.15
Tokyo	1989	-7.85				
Stock	1990	-24.49				
Exchange	1991	-11.01				
Index*	1992	11.72				
	1993	37.7				
	Total	15.38	1	1		0.03
■ **SMALL COMPANIES FUNDS**						
Schroder	1989	70.54	49.00			
Japan	1990	3.84	27.36			
Small	1991	-6.33	5.54			
Cos	1992	-0.36	2.59			
	1993	55.94	14.44			
	Total	113.56	3.54	0.95	Average	0.24
Dunedin	1989	46.1	24.58			
Japan	1990	-2.78	22.54			
Smaller	1991	6.06	17.93			
Cos	1992	11.96	14.91			
	1993	49.29	7.79			
	Total	113.21	3.53	1	Average	0.23
Tokyo	1989	21.52				
Stock	1990	-25.32				
Exchange	1991	-11.87				
Small	1992	-2.95				
Cap	1993	41.50				
Index*	Total	32.04	1	1.05		

KEY: Years are Feb 28 to Feb 28. Total return is the sum of period to period figures, thus removing cumulative effect. Therefore, the sum of the five-year figures does not equal the five-year total. For the one year, it is the sum of 12 months offer-to-offer, net income re-invested; for five years (total), it is 60 month-on-month periods of offer-to-offer, net income re-invested. Source: HSW. The Benchmark column is a measure of a fund's consistency relative to the stated index. Two indices have been chosen to reflect the different investment orientations of funds. A negative figure in this column means underperformance. The figure in bold in the total row is the benchmark ratio – each fund's total return divided by the index's return. Risk is total risk or volatility as measured by the standard deviation of monthly returns. Risk relative to sector is each fund's standard deviation divided by the standard deviation of the 82 funds (the sector) that qualify for this survey (8.23). Risk description refers to risk relative to the sector figure of 8.23. Risk/return is the division of each fund's average monthly return by the standard deviation of those monthly returns. The higher the risk/return figure, the better the performance. All calculations: J.P. Cuthbert.
** Capital return only, no income re-invested.*

The conclusion based on this table is quite different to that derived from a comparison with the TSE. Far from making the whole sector look good, this approach finds only four funds – Dunedin Japan Smaller Companies, Perpetual Japanese Growth, Gartmore Japan and Provident Mutual Japan – which have displayed top-quartile performance in both periods of loss and gain.

Furthermore, the overall performances of many funds are dominated by an outstanding outturn in only one field. In simple terms, most managers tend to be better at managing one thing rather than another.

Two further funds deserve recognition. Although their total returns in the gain period have been fourth and sixth decile respectively, Schroder Japan Small Companies and Stewart Ivory Japan are among the very best when the returns are risk-adjusted (see table B). This is no surprise; they are two of the top four loss return funds and have displayed high consistency relative to the TSE.

Finding the best-performing Japan funds is full of pitfalls. At first look, investors appear spoilt for choice. But wholesale outperformance of the market index is a sign that something is wrong.

In any one sector, expect to find only a handful of funds that deserve your attentions.

So you want a 10% return

***Michael Dyson** explains how*

Cashing in on zeros

No. of shares bought	Name of zero div pref	wind up date	Purchase price (p)	Purchase cost £	Price at wind up (p)	Repayment at wind up £	Current asset cover
1,394	Sphere	31/10/95	95.375	1,330	107.5	1,499	1.38
3,417	Hong Kong	31/12/96	35.625	1,217	43.9	1,500	1.79
479	TR Technology	30/04/98	225.75	1,081	313.2	1,500	1.31
462	Scottish National	30/09/98	227.25	1,049	325	1,500	1.3
537	Finsbury Smaller Cos	17/12/99	178.25	958	279	1,499	2.76
8,379	River and Merc Extra	29/09/00	111.75	9,364	191.2	18,021	1.38
14,668				15,000	Total return	23,821	
					Of which 'income'	9,000	

Source: Michael Dyson

The mail-shot headline offered "10.03% paid annually, free of basic rate of tax, until the year 2000". Such a promise, together with "Backing Assets of a Triple A-rated bank" sounded the perfect answer for investors wanting high income from a low-risk investment.

Sadly, this insurance "bond" (as the marketing men insist on calling their products) is linked to the performance of the FT-SE 100 index for determining how much capital is repaid in the year 2000. If the FT-SE 100 growth is 0 per cent a year or negative, investors will lose 75 per cent of their original investment (a loss of almost 15 per cent even if you add back the income received). In order to receive full repayment of your capital, the FT-SE 100 growth must be 4.99 to 9.99 per cent a year.

So, is it unrealistic to expect 10 per cent a year and reasonably safe capital? The answer is that it is remarkably easy, and within the reach of most private investors.

The plan in the following example can be created through any broker or share shop, and should return 10 per cent a year in addition to a final repayment of around 95 per cent of starting capital.

A greater loss could arise, but is unlikely unless markets are about 30 per lower than present levels when you want your income. The only caveats are that you need to have part of your annual capital gains tax allowance (now £5,800) available each year and take care with bed and breakfasting.

Suppose you have £15,000 to invest. You buy six separate zero dividend preference (ZDP) shares with wind-up dates on consecutive anniversaries (or as close as possible). These shares are issued by split capital investment trusts which have pre-determined wind-up dates on which all the assets are sold and the shareholders repaid. The ZDP investors receive no dividends from the trust but normally have a first charge over the assets up to a pre-determined repayment price, substantially higher than the issue price.

So, a capital gain is virtually certain for anyone holding to redemption. The point of the plan is to buy shares with staggered redemption dates which can be redeemed in turn to produce your "income".

Present tax legislation means that because there are no dividends, there is no income tax liability, although the CGT liability becomes payable on redemption or disposal. Both your annual "income" and your final return of capital will produce taxable gains, albeit reduced by indexation. Larger holdings will benefit from some prudent bed and breakfasts on the main holding.

The number of shares bought should be the amount required to create an annual repayment for the desired "income" – in this example, £1,500. One of the investments – the one which is redeemed last – should be large enough to repay 10 per cent plus as much of the original capital as possible. (In our example, you get 97 per cent of your starting capital back but should allow around 2 per cent for expenses).

And that is all there is to it.

For the purpose of this article, we chose the six shares that best match the described insurance product, but the take-over theory is extremely flexible and can offer many alternative arrangements – such as escalating income, income holidays or a different time scale. In addition, all or part of the plan may be sold before maturity, subject to market conditions).

■ *Michael Dyson is a director of BZW Capital Markets. This is a market-maker and cannot deal direct with private clients.*

NEW UNIT TRUST LAUNCHES

Manager (Telephone)	Sector	Target Gross Yield %	Full PEP Qual	Savings Schemes Avail.	Charges outside PEP: Initial %	Charges outside PEP: Annual %	Charges outside PEP: Other %	Minimum Invest. £	Charges inside PEP: Initial %	Charges inside PEP: Annual %	Charges inside PEP: Other %	Minimum Invest. £	Special offer: Discount %	Special offer: Period
■ **Duncan Lawrie UK Smaller Companies Fund**														
Duncan Lawrie (071 235 5534)	UK Smaller Companies	1	Yes	No	5.25	1.25	No	1,000	n/a	n/a	n/a	n/a	‡	16/5/94-27/5/94
The first unit trust launch by this private bank, the manager is Thomas Walford formerly smaller companies fund manager at John Govett														
■ **Latin America Fund**														
Save & Prosper (0800 282101)	International growth	0	No	Yes	5.5	1.5	No	1,000	n/a	n/a	n/a	n/a	**	14/5/94-3/6/94
Hot on the heels of the launch last year of two S&P Far East funds comes this. Regional emerging market funds are riskier than global ones														
■ **Exeter Pacific Growth Fund**														
Exeter Fund Managers (0800 807807)	Far East inc Japan	0	No	Yes	5.5	1.5	No	1,000	n/a	n/a	n/a	n/a	♣	4/5/94-27/5/94
Exeter specialises in investment through investment trusts and will use closed end funds for its first regional unit trust. Same caveat as above.														
■ **Hypo Foreign & Colonial Japanese Growth Fund**														
Hypo Foreign & Colonial (071 454 1434)	Japan	0	No	No	5%	1.5%	No	1,000	n/a	n/a	n/a	n/a	1%	22/4/94-16/5/94
Aiming for long-term capital growth as the Japanese economy recovers, and buying in while share prices are still low.														

*‡Initial charge reduced to 4.25%. **Initial charge reduced to 4.5% on £1,000-£2,999 and to 3.5% on £3,000 and above. ♣ Initial charge 4.5%.*

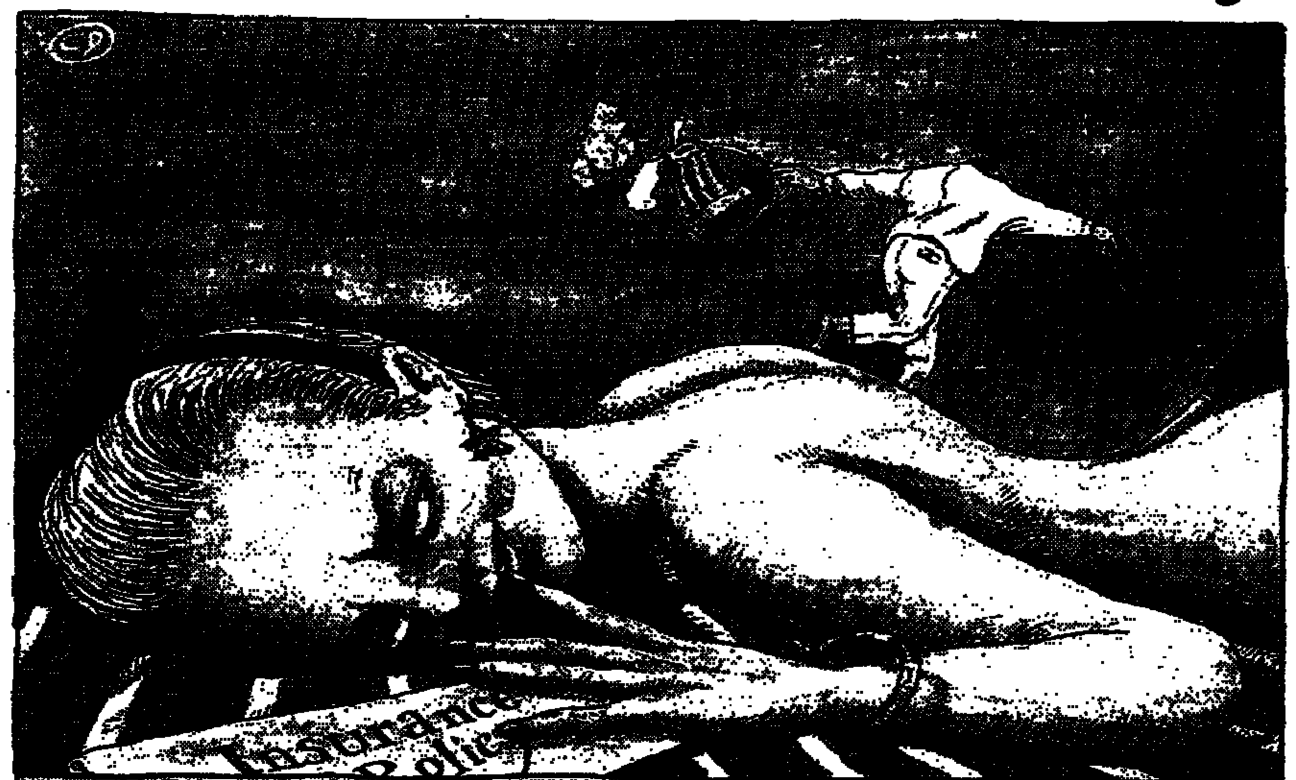
NEW INVESTMENT TRUST LAUNCHES

Manager (Telephone)	Broker	Sector	Warrants	Targets: Size £m	Targets: Yield %	PEP Qual?	Savings Scheme	Issue Price p	Minimum NAV p	Outside PEP: Minimum Invest. £	Outside PEP: Annual Charge %	Inside PEP: Minimum Invest. £	Inside PEP: Annual Charge %	Offer Period
■ **Fleming Indian Investment Trust**														
Fleming (071 382 8989)	Smith New Court	Emerging Mkts	1:5	100	n/a	No	Yes	100p	96p	2,000	1.2%	n/a	n/a	27/4/94-18/5/94
The first UK investment trust to focus solely on India, one of the world's largest emerging markets														
■ **Johnson Fry European Utilities**														
Johnson Fry (071 321 0220)	Smith New Court	Split Capital	No	30	6%	Yes	No	100p	n/a	3,000	0.6%	3,000	£30	16/5/94-7/6/94
Pan-European version of Johnson Fry's two high-yielding UK utilities trusts, launched last year														
■ **Murray Acorn**														
Murray Johnstone (0345 222229)	Beeson Gregory	Smaller Cos	1:5	60	n/a	Yes	Yes	100p*	96p	500	1%	n/a	n/a	26/5/94-16/6/94
This fund will concentrate on the very smallest small companies: no bigger than £50m, and mostly under £30m. (* In two instalments.)														
■ **Schroder Japan Growth Fund**														
Schroder Investment Management (0800 526535)	Smith New Court	Japan	1:5	100+	n/a	No	Yes	100p	95.5p	2,000	1%	n/a	n/a	7/6/94-30/6/94
General Japanese fund from the Schroder stable, which already runs several Japanese unit trusts														

FINANCE AND THE FAMILY

Don't lose out on holiday

Bethan Hutton outlines the points to watch when buying travel insurance



OH DEAR — THERE GOES MY EXPENSIVE DESIGNER LUGGAGE!

Why was it, one experienced travel insurer mused the other day, that when a claim was submitted for missing luggage, it always turned out that the suitcase was full of Calvin Klein and Janet Reger designer underwear rather than the plain Marks and Spencer smalls you might expect to find?

And was it not strange, he continued, that so many people had their hi-tech cameras, gold Rolex watches and remaining travellers cheques stolen on the last day of their holiday, did not have time to report the theft to police, and then could not find the original receipts?

Fraud is an issue pre-occupying the insurance industry. Many companies suspect – rightly or wrongly – that a hard core of people view submitting an insurance claim as a normal part of returning from holiday, along with sending off the snaps to be processed, and displaying the latest souvenir on the mantelpiece. This could be pushing up premiums for honest customers.

While it is difficult for insurers to prove that someone's expensive camera is not in the hands of a thief, they can have their doubts – and, increasingly, such a claim is likely to be turned down unless the claimant can provide police certificates and original receipts. This can catch genuine claimants unawares. So, if you do have something stolen on holiday, make sure you get as much evidence for it on the spot as possible.

New technology is also helping to stamp out fraud. Within the next year or so, insurers will be able to check dubious cases against a database to find out if the same person has had a run of "bad luck" for the past few summer holidays.

Travel insurance does not cover you for carelessness. One of the most common claims is for possessions stolen from beach bags while the owner was swimming.

These days, such claims often are rejected due to "lack of reasonable care" – a clause you are almost certain to find if you study the small print carefully.

The best advice is to travel light, and dress simply, leaving all valuable items such as jewellery and watches at home or in the hotel safe. But the insurance ombudsman has ruled against companies applying this rule too strictly, on the basis that you cannot be expected to go everywhere empty-handed.

Cover for personal possessions accounts for a substantial proportion of the cost of insurance premiums. Yet, many people may be paying twice over for items which are covered already.

Most comprehensive household contents policies already provide a certain amount of cover for possessions taken away from the home; usually, that can be extended further for less than a travel insurer would charge.

This is particularly true for large, expensive items such as camcorders. Travel insurance policies tend to have a single item limit of around £300, which rules out all but the most basic camcorder, but household insurers normally are quite happy to cover big-ticket items.

Bradford & Bingley building society has acknowledged this with its range of travel insurance policies; these offer a 20 per cent discount if you opt out of baggage cover because your household insurance already covers it.

Frizzell divides its policy into sections, so you are not obliged to take the baggage and cash cover. Other insurers may soon follow.

Most travel insurance continues to be sold through travel agents, who tack it on as an extra when you book your holiday. New rules mean that tour operators can oblige you to take out insurance. It does not have to be theirs, but they can insist that any alternative offers at least equivalent cover.

Often, though, tour operators' own insurance is poor value. More than half the premium can disappear in commission, and the maximum cover for possessions or cancellation can be lower than independent policies.

You should, if you have time, shop around before you book the holiday. And do not think of just the usual sources. Brokers, banks and building societies all can sell you something – but have you thought of checking what your private health insurer has to offer?

Gold card-holders should also check what level of cover they get for their annual fee. Some cards, such as Barclays, have fully comprehensive annual insurance but others provide only a few elements – travel accident, cancellation and delay only, for example, without the crucial medical cover.

Also worth considering is annual travel insurance. Halifax is the latest on the market, with Lloyds Bank planning to launch its version next month. Policies can cover individuals, couples or families. For anyone who goes abroad more than once a year, they are likely to be better value than single-trip cover, as well as being more convenient.

They can even be cheaper for just one holiday. Take a family of two adults and two children spending two weeks in America with Lloyds. Single-trip cover would cost £155.60 but the new annual policy would cost £126.25 for the same family and cover it for any number of other trips as well.

The table gives an indication of the general range of prices, but, of course, details of cover vary, so assiduous reading of the small print is still a good idea. If, for instance, you are going on an expensive intercontinental trip, check that the policy covers the full cost of cancellation – limits can be as low as £1,000 on budget policies.

Travel insurance premiums

	Europe adult	child	US adult	child
Barclays	£19.50	£9.75*	£52.65	£26.33*
Bishopsgate	£21.75	£10.90	£49.95	£24.95
Bradford & Bingley	£19.50	£9.75	£42.50	£21.25
Columbus (standard)	£11	£5.50	£27	£13.50
Frizzell	£20.63	£10.34	£41.26	£20.68
Halifax	£19.95	£13.45	£42.10	£28.10
Lloyds Bank	£21.65	£10.85#	£62.20	£31.10#
NatWest	£22.80	£11.40	£51.30	£25.65
Thomas Cook	£28.95	£28.95	£49.90	£49.90
TSB	£18.93§	£14.16§	£48.50§	£36.39§

*Premiums are for two-week trips; children aged 2-16. * If travelling with two premium-paying adults; otherwise 25% off adult rate. # If 2 adults & 2 children travel together, second child is free. § Rates due to go up on June 1.*

FINANCE AND THE FAMILY

A problem of pressure

Joanna Slaughter sums up her series on fee-based financial advisers

David Norton, the chairman of the Institute of Financial Planning, has likened the fees versus commission debate to the M25 London orbital motorway. He says: "You go round and round in circles, not getting anywhere."

Certainly, views seem to be entrenched. The fee-based independent advisers who have been profiled in the past 15 weeks run very different financial planning firms. But, in general, they are united in believing that consumers can get genuinely unbiased advice only when an adviser is under no financial pressure to sell commission-laden insurance and investment products.

Many of the fee-based advisers interviewed identified commissions as causing much of the malaise within the financial services industry.

They feel they are in the industry vanguard, not least because the new commission disclosure rules laid down by the Securities and Investments Board – the industry's main regulatory organisation – look set to accelerate the move towards fee-based advice.

"Our time has come," claims Tony Shepherd, a fee-based IFA from Kent. "Commission disclosure will act as a catalyst. I see the independent sector diminishing and the more sophisticated end of the IFA market becoming fee-based."

Like other IFAs, though, Shepherd stresses that fee-based firms must do more than sell financial products if they are to justify their charges.

Another is Richard Boyton, of Boyton Financial Services. "Our only function is to provide clients with added value," he says.

"We are no different from an accountant or a solicitor. And it can't be all smoke and mirrors. Our businesses will fail if the client does not perceive that we are adding something."

Many IFAs feel added value goes hand in hand with professional qualifications. They argue that the public will not accept IFAs as members of a profession until the industry sets and enforces higher standards.

Indeed, David Harris, managing director of Chantrey Financial Services, requires his advisers to acquire qualifications as part of their service contracts.

Commission-based advisers tend to defend their position by claiming there is widespread consumer resistance to paying fees for financial advice. Some have pointed out that many of the fee-based advisers interviewed in the FT series run comparatively modest businesses; this reinforces their view that the audience for fee-based advice has a narrow base.

They argue, too, that as fee-based advice can cost up to £200 an hour, it is often beyond the financial reach of many people. Few fee-based advisers would deny this, but none appears yet to have solved the problem of bringing impartial advice, at an affordable price, to small savers and investors.

The tax regime also buttresses the status quo of commissions. They are exempt from value added tax but professional fees are not. Thus, it could be in the interest of clients for the fee-based adviser to take commissions, even if these are offset against fees later.

Andrew Swallow, a fee-based IFA in Ipswich, says: "Going to a fee-based financial adviser might be best, but there are occasions when the client should persuade him to take some commissions."

Most fee-based advisers think it inevitable that the industry will become polarised, with the better-off serviced by fee-based advisers while those with low incomes and modest assets are left largely to the care of bancassurers – those who sell insurance-related products through banks and building societies.

Nevertheless, many claim that IFAs who rely on commission may under-estimate the public appetite for impartial fee-based advice. They cite the Institute of Financial Planning, which publishes a registry of its members and is trying at present to cope with a backlog of 300 inquiries from the public.

Other sources of help for those seeking a fee-based IFA include *Money Management* magazine, which can provide a list of advisers in different areas of the UK who conduct at least part of their business on a fee basis; and the Association of Solicitor Investment Managers, which has a directory of members who undertake investment management and other financial services.

■ *Money Management: tel: 0272-769 444 (computerised voice service); the Institute of Financial Planning, Hereford House, East Street, Hereford HR1 2LU, tel: 0432-274 891; the Association of Solicitor Investment Managers, Baldocks, Chiddingstone Causeway, Tonbridge, Kent TN11 8JX, tel: 0892-870 065.*

What you should ask

It is rash to assume that a fee-based adviser is automatically a good adviser, *writes Joanna Slaughter.* Indeed, people should be very careful before placing their affairs in the hands of any IFA. The following questions could help:

1. What is the background of those running this firm? What are their qualifications to advise me about money?

2. Can you supply the names of anyone to whom I can apply for a reference about you?

3. How much do you charge? Are fees agreed in advance? Are fees time-based? Will you charge me for the initial interview? How will I be billed? What happens about any commission payments?

4. Can I see an example of a financial planning report that has been prepared for an existing client?

5. How can I judge the investment performance you have achieved for clients? If there are no relevant performance statistics, can I see a current client portfolio?

6. How will you keep in touch with me? What information will I get from you during the year? What happens if my financial circumstances change?

7. Will all your advice be confirmed in writing?

8. Do you provide a complete management of assets? What other services do you offer? Will you liaise with my accountant and solicitor?

9. Do you handle cash? If so, what safeguards do I have that it is secure? Do you have indemnity insurance?

10. How quickly can we terminate our relationship if it does not work out?

Those who appeared

The advisers who appeared in our series on fee-based IFAs are: Norton Partners (January 29); Murray Noble (February 5); Hill Martin (February 12); Boyton Financial Services (February 19); Chamberlain De Broe (February 26); R.E. Gee & Co (March 5); Cripps Harries Hall (March 12).

Shepherd Associates (March 19); Cavendish Financial Management (March 26); Chantrey Financial Services (April 2); Fairways Fullers Field (April 9); Robert Langley & Co. (April 16); Douglas Deacon Young (April 23); Pat Brogan Life & Pensions (April 30); Roger Harris & Co. (May 7).

Some back copies can be ordered from the Financial Times' shop (tel: 071-873 3324). Prices vary depending on the date of publication.

Your pension

You can take it with you

*In the second of three articles, **Eric Short** discusses changing jobs*

Question: I am being made redundant after 10 years with my company. What happens about my pension benefits in the company scheme?

A. The benefits available on leaving are set out in the scheme booklet; a copy would have been given to you when you joined. You have a choice of:

1. Leaving them in the scheme.
2. Taking a transfer value and transferring to your new company scheme.
3. Taking a transfer value and investing in a personal pension or buy-out contract from a life company.

Q. What benefits do I get if I leave them in the company scheme?

A. You get a deferred pension payable from the normal retirement date of the scheme. The value is calculated on how long you worked for the company and your salary at the time of leaving.

If your scheme provides a pension at 65 of 1/60th of earnings for each year of service, and your salary at leaving was £18,000, your deferred pension payable from age-65 would be 10/60ths of £18,000 – that is, £3,000 payable from age-65.

Q. Would this pension be increased to offset inflation?

A. Yes. By law, the scheme must revalue this pension each year up to retirement by the increase in the retail price index, subject to a maximum of 5 per cent a year. Some schemes, particularly those in the public service, revalue without any maximum. Once the pension becomes payable, it is treated like any other pension as set out in the scheme rules, with guaranteed increases as well as any discretionary rises to offset inflation.

Q. Are there any other benefits from the company scheme?

A. Yes. You can take a cash sum and a reduced pension. There would be a pension payable to your spouse – usually half the full pension. You would also be able to take the pension early if you retired before the normal age. You would also be entitled to a pension if you fell ill and were unable to continue working.

Q. What is a transfer value?

A. The transfer value is the cash equivalent of your deferred benefits in the company scheme at the time of calculation. It represents the value of the assets the scheme needs to hold in order to pay your pension or other benefits when they become due.

Q. How is this cash equivalent calculated?

A. It is done by the actuary to the scheme, in conjunction with the trustees. The actuary estimates what the pension payments and other benefits will be and how long they will be made. He also consults with the trustees on the likely increases in those payments. Then, the actuary discounts those payments at a rate of interest related to the expected investment returns on the fund.

Q. How does the actuary know what the pension payments will be, how long I and my spouse will live to receive those payments, and what the future investment return on the fund will be?

A. The actuary is trained to assess the most likely values for all these parameters. Besides which, the Institute of Actuaries and the Faculty of Actuaries, the professional actuarial bodies in the UK, have laid down guidelines for calculating transfer values. Nevertheless, there is considerable scope for individual actuaries to use their professional judgment in calculating transfer values. As such, there is considerable variation in calculated transfer values for the same deferred pension because actuaries have different views on investment returns, mortality and pension increases.

Q. How do I find out the amount of my transfer value?

A. You simply ask your pension department for a quotation. If there are mass redundancies, it might take a while to receive it.

A point to remember is that transfer values will vary in amount, down as well as up, as investment conditions change. The quotation should give a date up to which the quotation is valid.

SIB acts

Next week, the Securities and Investments Board, the chief City watchdog, will publish advice to people about the issues they should raise with sales agents when discussing the possibility of transferring a lump sum out of a former employer's pension scheme into a private plan, *writes Alison Smith*.

The move is part of SIB's efforts to raise the standards of selling pension transfers following a pilot study late last year. This suggested a widespread failure among sales agents to meet regulatory requirements and raised public concern about the mis-selling of pensions.

Q. If I take the transfer value, what do I do with it?

A. What you cannot do is take the cash. You have to tell the trustees where you want it invested; then, they will do the transaction on your behalf.

You can invest the transfer value in a protected rights personal pension or a Section 32 buy-out from a life company. The choice between the two contracts is meaningful only for very large transfer values.

For the vast majority of transfers, you would invest in a personal pension.

Q. How does a protected rights personal pension function?

A. A personal pension operates on what is known as the money purchase principle. This means that:

1. The life company takes the amount of the transfer value, deducts its charges, and invests the balance in a fund(s) of your choice.
2. The fund accumulates in value until the time when you take the benefits.
3. You take these by using the accumulated cash to buy an annuity.

Q. How much of the transfer value will the life company take in charges?

A. Initially, around 5-6 per cent. Then, there will be an annual charge on the fund. This might, or might not, be specified.

Q. In which funds can I invest the personal pension?

A. You have a wide choice of funds – UK and overseas equities, gilts and fixed-interest, property, cash – and you can divide the value between the funds. Alternatively, you can leave it to the life company by investing in the managed fund, or, if it is a traditional life company, in the with-profits fund.

Q. When can I take the benefits and in what form?

A. Your transfer value is divided into two parts: the protected rights and the excess. The benefits on the protected rights element, representing the Serps contracted-out element, have to be taken at state pension age. The accumulated fund is used to buy an annuity on a uni-sex, uni-status basis, increasing by 3 per cent a year.

Benefits on the excess element can be taken, wholly or in part, at any time between your 50th and 75th birthday (both dates inclusive). Up to 25 per cent of the combined value (protected rights and excess) can be taken in tax-free cash, provided it can be taken from the accumulated value of the excess. The remaining value of the excess has to be used to buy an annuity of your choice.

Q. How do I decide whether to leave the benefits in the company scheme or transfer to a personal pension?

A. Company schemes provide guaranteed benefits in terms of your salary at the time of leaving, with a degree of protection against inflation both up to and after retirement. If the scheme has a record of protecting benefits fully against inflation, as with the public sector schemes and those in nationalised industries (present and previous), then you should not usually transfer.

The personal pension provides the chance to have your own pension arrangement, manage your own investment, and take part of the benefits at a time of your choosing. But things can go wrong, particularly with the investment, and *there are the charges deducted* by the life company.

Q. Is there any means of comparing benefits?

A. The life company will produce a transfer value analysis which indicates the overall investment return needed for the personal pension to match the company scheme benefits. You have to decide if your choice of funds, and the life company's investment performance, can better that return. But the analysis is produced by the life company actuary and is subject to as much uncertainty as the transfer value calculation.

Q. What questions should I ask the salesman?

A. First, ask why he is recommending a transfer and get the reasons in writing. Be sure they are sound and feasible. Second, make certain you know why the salesman thinks the life company can achieve the required investment return.

If you are still comparatively young, the pension provided from the company scheme or the personal pension will be a minor part of your total pension. You can afford to take the risk in getting a higher return from a personal pension while securing the greater part of your overall pension from other, more stable sources.

If you are older, though, this pension will form a much larger part of your overall income in retirement. So be wary of taking chances with it unless you are prepared to accept the consequences.

Q. Do I have to decide now whether to transfer?

No. You do not have to make a decision at the time of leaving employment. So, you can leave the benefits in the company scheme and transfer into a personal pension later.

You have a legal right to *transfer at any time up to one* year before the scheme's retirement age. Many schemes will allow transfers right up to retirement.

But do not transfer simply because you feel bitter against your old employer and everything connected with your previous employment. Consider transferring on financial grounds only.

'No mystery'

From Raymond Moody

Sir, I refer to the first question and answer in your Briefcase column last week (May 7/8). If no one has heard of the Rule of Three, then it reinforces my conviction that the common stock of general knowledge can no longer be counted upon.

There is no mystery about the Rule of Three. It has a sufficiently established place in the language to figure in the Oxford English Dictionary, Vol. Q-R, p.882. It is defined as "a method of finding a fourth number from three given numbers, of which the first is in the same proportion to the second as the third is to the unknown fourth" – with eight supporting quotations from 1594 to 1891.

So much for the Rule of Three. The genuine mystery is how the bank concerned managed to use this simple rule to turn £9,000 into £30,000 unless the phrase was invoked as token of a probverbially arcane procedure. Are we back in Kipling's world of the "gods of the copybook headings"?

Raymond Moody
Cobb House
Burford
Oxfordshire

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All enquiries will be answered by post as soon as possible.

Gifts from income

***My 80-year-old* widowed mother has an estate which will be liable to inheritance tax, which we are seeking to reduce. Advantage is already being taken of the annual gifts allowance but we would welcome clarification of the gifts from income arrangements.**

She has a building society account to which interest has been accruing for at least 18 months untouched. What is the situation if this was paid monthly into an account held by my sister and myself (we are her beneficiaries). For tax purposes, would these monthly payments be treated as income for my sister and myself?

■ To take advantage of the gifts out of income exemption, the amount being gifted must be made regularly out of income and must not result in a drop in the donor's standard of living.

I understand your mother has enough income after tax to meet her normal needs without touching the interest you mention. Therefore, it would be possible for the interest to be credited to her account and then immediately transferred into an account for yourself and your sister.

The income would still be taxable upon your mother but I *assume that she is a basic-rate* taxpayer. Thus, the interest is paid after deduction of basic-rate tax so that no more is payable. The regular payments from the building society account to the account for yourself and your sister would be gifts out of income and you would not have to pay further tax. *(Reply by Barry Stillerman of Stoy Hayward).*

HIGHEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/ term	Minimum deposit	Rate %	Int. paid
INSTANT ACCESS A/cs						
Birmingham Midshires BS	First Class	0902 645700	Postal	£500	5.50%	Yly
Buckinghamshire BS	Chiltern Gold	0494 873064	Postal	£1,000	6.00%	½ Yly
Leeds & Holbeck BS	Albion	0532 438292	Postal	£10,000	6.45%	Yly
Manchester BS	Money by Mail	061 839 5545	Postal	£25,000	6.65%	Yly
NOTICE A/cs and BONDS						
Britannia BS	Index linked	0538 391690	90 Day	£1,000	6.30%	Yly
B & W Asset	90 day	0800 303330	90 Day P	£10,00	6.75%	Yly
Chelsea BS	Fixed Rate Bond	0800 272505	30.6.97	£10,000	7.60%F	Yly
Britannia BS	Fixed Rate Bond	0538 391690	1.6.99	£2,000	8.25%F	Yly
MONTHLY INTEREST						
Manchester BS	Money by Mail	061 839 5545	Postal	£5,000	5.84%	Mly
Northern Rock BS	Postal 7	0500 505000	7 Day(P)	£10,000	6.35%A	Mly
B & W Asset	Monthly Income	0800 303330	90 Day	£10,000	6.55%	Mly
Britannia BS	Fixed Rate Bond	0538 391690	1.6.99	£2,000	8.00%F	Mly
TESSAs (Tax Free)						
Confederation Bank		0438 744500	5 Year	£8,900	8.00%F	Yly
Hinckley & Rugby BS		0455 251234	5 Year	£3,000	7.35%	Yly
Dunfermline BS		0383 721621	5 Year	£3,000	7.30%	Yly
Melton Mowbray BS		0664 63937	5 Year	£1	7.20%	Yly
HIGH INTEREST CHEQUE A/cs (Gross)						
Caledonian Bank	HICA	031 556 8235	Instant	£1	4.75%	Yly
UDT	Capital Plus	081 447 2438	Instant	£1,000	4.75%	Qly
Chelsea BS	Classic Postal	0800 717515	Instant	£2,500	6.00%	Yly
				£25,000	6.25%	Yly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey Ltd	International	0481 715735	Instant	£500	5.75%	Yly
Confederation Bank (Jrsy)	Flexible Inv	0534 608060	60 Day	£25,000	6.80%	½Yly
Britannia Internatl Ltd	Index linked	0624 628512	90 Day	£1,000	6.30%	Yly
Yorkshire Guernsey Ltd	Offshore Key	0481 710150	180 Day	£50,000	7.20%	Yly
GUARANTEED INCOME BONDS (Net)						
Premium Life		0444 458721	1 Year	£1,000	5.10%F	Yly
Premium Life		0444 458721	2 Year	£1,000	5.50%F	Yly
General Portfolio		0279 462839	3 Year	£10,000	6.20%F	Yly
General Portfolio		0272 462839	4 Year	£10,000	6.70%F	Yly
General Portfolio		0279 462839	5 Year	£20,000	7.10%F	Yly
NATIONAL SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£20	5.25%G	Yly
	Income Bonds		3 Month	£2,000	6.50%H	Mly
	Capital Bonds H		5 Year	£100	7.25%F	OM
	First Option Bond		12 Month	£1,000	6.00%F	Yly
	Pensioners GIB		5 Year	£500	7.00%F	Mly
NAT SAVINGS CERTIFICATES (Tax Free)						
	41st Issue		5 Year	£100	5.40%F	OM
	7th Index Linked		5 Year	£100	3.00%F +Infln	OM
	Childrens Bond F		5 Year	£25	7.35%F	OM

This table covers major banks and Building Societies only. All rates (except those under heading Guaranteed Income Bonds) are shown Gross. F = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N= Net Rate. P= By Post only. A = 0.25% bonus if no withdrawals per annum. G= 5.75 per cent on £500 and above; 6 per cent on £25,000 and above. H= 6.75 per cent on £25,000 and above. I= 6.40 per cent on £20,000 and above.
Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Loke, North Walsham, Norfolk, NR28 0BD. Readers can obtain an introductory copy by phoning 0692 500677.

MINDING YOUR OWN BUSINESS

Man in a glass house: Patrick Byrne in one of Cope Conservatories' designer creations Trevor Humphries

A fragile touch of glass

***Heather Farmbrough** on a conservatory builder that has survived in a cold climate*

In the two years he has been running a company producing bespoke conservatories in London, Patrick Byrne has learnt a number of lessons.

He has had to curb a natural tendency to over-design and spend too much on the best materials. "The things which are interesting to design are not often very cost-effective," he says ruefully.

Byrne is a 24-year-old architectural technician from Dublin, although his long flowing red locks and beard lend him the appearance of a Celtic poet. After leaving college, he worked as a site agent and on the production team of a conservatory company. In 1991, he met Henry Cope-Harrison, an architect who was designing conservatories and found that they both thought most of the conservatories on the market were overpriced and under-specified. In June 1992, they set up Cope Conservatories as partners.

"As we were coming into the market in a deep recession we had to offer something different," recalls Byrne. "Our idea was to be an upmarket builder offering a comprehensive design and build service. We wanted to be a design driven company, operating at the top end of the market, but from a low-cost, affordable base. We recognised that there was a demand for unusual conservatories which other people could not build."

They wanted to build unusual, hand-crafted conservatories, each designed specifically for the client, rather than standard pre-manufactured "drop-on" conservatories. They identified their potential market as the more affluent parts of west and south west London, where people often wanted to use wasted space such as side alleys.

They found a small office in Chiswick where the landlord agreed to waive the rent until they could pay him back. As employees were initially sub-contracted, start-up costs were low, apart from £3,800 to buy and refit a Mercedes van and £1,500 to print 5,000 colour postcards which were distributed around south-west London.

Although the response to the cards was low, they generated enough inquiries to lead to the first contracts. "We won jobs because we could solve difficult problems and get on with people's kids – not necessarily because we were the cheapest. We made a conscious decision not to wear suits when we went to see clients because it made us about as inviting as West End nightclub bouncers."

But costs were too high. The awkward nature of many of the spaces in which they were building meant that each job was technically demanding and the highly individual, often complex nature of the conservatory roof designs meant that they often took longer to build than expected. Finishing touches often took as long as building the main structure.

Neither of them, however, was willing to compromise artistic or technical standards. For example, they used substantial mahogany rafters, whereas their competitors made do with narrow strips of aluminium or timber. At the end of the first year, turnover was £104,000 and they had sold plenty of work. Profits, however, were non-existent.

As Byrne says: "We were so hungry for work, we took on contracts at break-even price in the hope that if we performed it would lead to more referrals. We were selling BMWs at Ford prices." They were still relying on cash flow to fund the business rather than investing capital in expansion. They wanted to produce a brochure and put ads in the glossy home furnishing magazines, but could not afford it.

Byrne was exhausted, having worked 16 hours a day, seven days a week. He felt he was spending too much time on site chasing problems and responding to clients' questions and problems, rather than doing essential administration and thinking about the business.

In the last few months, Byrne feels he has turned the corner. Since December, he has employed a full-time foreman and joiner who had previously worked for him as subcontractors. This has made his life considerably easier and cut his working week as well as boosting the two employees' motivation. The company has been reorganised so that it is now Byrne's, reflecting his greater practical involvement, although Cope-Harrison still does all the design and marketing work.

In February, Byrne negotiated with the Midland Bank a £15,000 government loan which will be spent on marketing – a small brochure, more cards and site boards. He intends to buy a second Mercedes truck and eventually to open a joinery workshop which would be owned exclusively by Cope, keeping costs down and eliminating his reliance on suppliers. The first advertisement appeared in March.

His objective is to take turnover nearer to £500,000 which should be feasible given the stream of new business. But the challenge is also to make a decent living from the business, rather than having to plough everything back. He has always enjoyed the challenge of being in charge, and his sense of humour has helped him through the more difficult moments. As he says: "If you cannot see the funny side of this business, you are lost."

■ *Cope Conservatories, 20 British Grove, London W4 2NL. Tel: 081-741 2200*

Computing/Robin Brooker

Negotiating the soft way

Negotiating is a task we do every day. What do you offer children to make them behave? What extra service can you offer to win the multi-million pound contract for your company? Negotiating is a way of life, but few of us have had the formal training to hone our skills.

Without training and planning the outcome depends as much on the respective personalities of the negotiators as it does on the items under discussion. There is a way around this in two computer programs I have seen recently.

The Art of Negotiating runs under MS-Dos and has been available for several years in the US. It is based on Gerard Nierenberg's book of the same name. Nierenberg suggested that the only successful deal is the one where everybody wins. Accompanying the software is his second book, *The Complete Negotiator*.

The program is easy to use. It takes you through personality profiling of yourself and the opposing negotiator. This is followed by trying to express your requirements from your opponent's point of view. The more aware you are of the opponent's position the more you can develop a creative and effective solution.

Negotiator Pro is a more recent program. It runs under *Windows*. It is a lot more detailed than *The Art of Negotiation*. There are three main parts to the program; again the personality profiling based on Jung's four principles (introvert/extrovert/neurotic/stable), the plan, and the glossary.

The plan comprises a choice of 10 or 35 questions depending on how deeply you want to analyse the situation. You can diagnose the opportunities and obstacles. The glossary is extensive. It has the equivalent information of a reasonable-sized book but is more accessible: it is in the form of *Windows* help screens. These include some excellent profiles of negotiating styles tied to nationality. Though they can be little more than cursory, they do help when dealing with people of different cultural backgrounds.

The program is an import from the US. I was interested in what it said about the English. Under "Cultural mannerisms and body language" it said: "The English have refined body language and expressions that indicate if they are ill-disposed to a position. This includes a slight cocking of the head with a narrowing of the eyes. According to Luigi Barzini in *The Europeans*, the English are supremely imperturbable. They are convinced of their superiority and that of their nation. They believe excitability is a sign of mental instability."

There are also a number of sample files to help you get started. I began with the one on negotiating a deal on a new car, and continued with the sample of getting a better position in the company.

Negotiator Pro provides a catalyst for you to focus your thinking. It brings the issues together and prevents issues getting lost. You can create your own database of personality profiles and past plans.

The traditional market for these programs is the sales and purchasing departments of large companies, lawyers and barristers – but they can be used by anyone.

Which is the better software? *The Art of Negotiating* is more focused; it makes you more aware of the strategies likely to be used by the opposition. *Negotiator Pro*, on the other hand, allows you to develop your plan more fully.

■ *The Art of Negotiating software is £125, plus VAT*

■ *Negotiator Pro is £265, plus VAT.*

Both are available from CABC: 0635-255300 Fax: 0635-255148

The heights of fear

Continued from Page I

expense of buying a new one? Might he want to use it again to keep me from falling?

I would have happily bought him half a dozen karabiners instead of having to climb – still on my skis – three feet up to the rock to retrieve it before lowering myself back to the fearful perch I had just left.

The rope would not go through the piton.

I was reminded of the horror story I had read in The White Spider, a history of the ascents of the North face of the Eiger in which the sole survivor of a disastrous attempt on the summit had survived a freezing night hanging on to the mountain, before climbing down to the frozen corpse of his nearest colleague to make use of his rope – only to discover with his dying breath that when he knotted the extra rope to his, the knot would not pass through the karabiner.

I tried again, and this time I managed to force the rope through. Totally inexperienced in climbing, I was now in slightly more control of my destiny. If I had fallen without my rope being threaded through the piton, Olivier was confident that he could have held me, and I believed him. But at least for the moment I would be spared the anguish of swinging across the slope like a pendulum before he rescued me.

I retrieved the karabiner and then inched – no, centimetred – my way back to the traverse, and shuffled forward, slightly more confident now that I was closing the gap. At last I was round the corner, to be confronted with what we had really come for: the snowfield. It was steeper than anything I had imagined or ever skied. Olivier said later that the slope was "almost 50 degrees, but not quite".

There was only one more psychological obstacle (or so I thought) to be overcome. At the bottom of the snowfield, 150 metres below, were more rocks. I wanted to traverse to a point where – if I fell – there were no hard objects to ski into. In spite of the steepness, traversing here was much easier. The snow was deeper, and there were no yawning couloirs to swallow you up.

"Don't worry," said Olivier. "Here you can fall without danger."

The slope was so steep that when I made my first turn, my shoulder and backside pushed through the snow. "You must face down the slope the whole time," said Oliver. I thought I had been. Every time I turned, he waited directly below me. "I will catch you if you fall," he said.

"Be careful at the bottom. There is huge crevasse – a rimée," (a crevasse that forms between the end of a glacier and the rock face immediately below it). "I thought you said I could fall here without being in danger," I said, alarmed again. "Ah" said Olivier. "If you fall here you will be travelling so fast you will slide right across the crevasse instead of falling into it!"

□ □ □

At last we were out of danger. I was going to live. In front of us were thousands of feet of supreme powder. The sun was shining as brightly as ever. Even though the climb, the fear and the snowfield had exhausted me so much that I hardly had the strength to enjoy the vast fields of powder, it was wonderful to have emerged unscathed.

And Olivier was right. From now on the skiing was ecstatic. I tumbled three or four times in the deep, sparkling powder.

Both Olivier and I shouted in the direction of the rock where we had arranged to meet Lucy. Our voices echoed emptily among the moraines and seracs.

Fearing the worst as the sun had begun to go down, Lucy had found her way – without a guide – down to the first stage of the gondola lift to raise the alarm, then – carrying her skis – walked the difficult, boulder-strewn and boggy terrain back to La Grave.

There, the manager of the telepherique, armed with strong binoculars, had spotted Olivier and me making our way back through green fields carpeted with crocuses. From half a mile away, I waved at Lucy and she waved back. We were pleased to see each other.

Over a beer in the Castillan Hotel bar, I asked Olivier how often he took clients down the Pan de Rideau. "You were the first," he said. "I like to push clients beyond their normal limits."

Meanwhile, high above the Glacier du Vallon, a cheap French piton hammered into a rock is the only evidence of my most troubled hour on earth – a rather hellish gateway to some heavenly skiing.

FASHION

Me and My Wardrobe

A look that's fine and dandy

John Morgan discusses clothes with a smart Italian

"I think I shall ask Kohji Tatsuno to design me a suit in the style of Der Rosenkavalier,*" says Manfredi della Gheradesca with a seriousness of tone that other men might reserve for talking about an investment in index-linked gilts.*

He is describing his costume for Minuetto, a fund-raising Venetian masked ball that della Gheradesca is organising at The Royal Academy in June. Sandwiched between Royal Ascot and Wimbledon, it will, he hopes, be one of the great parties of the summer..

Count Manfredi della Gheradesca is one of the more social of the insatiably sociable army of smart Italian ex-pats, who find Italy too parochial and New York too frenetic, and base themselves in cosmopolitan but cosy London. He is also, in a community for which narcissism is the official religion, one of its snappiest dressers. "You only have to look at 15th century frescoes, to see we Italians have always been very concerned about clothes," he muses, assuming a passable resemblance to a bearded Renaissance saint.

An unabashed dandy, della Gheradesca, has inherited more than a title from his forbears. "My great-grandfather sent his shirts from Tuscany to London to be washed and starched and then there was a great uncle who was a neckwear junkie and left 1,870 ties in his will." Many of these form the basis of young della Gheradesca's collection of accessories, which includes 300 ties, 80 Swatch watches, 50 waistcoats and 150 pairs of antique spectacles.

However, for all his affectations, it would be a mistake to dismiss della Gheradesca as a mere modern day Macaroni.

After studying at Florence University, Hunter College and receiving an MA from New York University of Fine Art, della Gheradesca worked as a European private art dealer and gallery manager in Manhattan. Now, as well as raising money for The Royal Academy from a younger generation of patrons, he works as an art-advisor for Citybank Private Bank.

"I act as a private curator buying, insuring, restoring art for a few high-powered international collectors," explains della Gheradesca, who never thought he would "end up in a financial institution".

Quite. But is he not rather an exotic figure in the sober world of finance? Is there not a tension between dressing with the probity of the banker and the air of the aesthete? "Working in the private banking arm, I deal with very high net worth individuals, who tend to be very worldly people, that accept more easily my wearing a Mickey Mouse tie, than those working in commercial banking might. Although I have to conform to a certain extent, my clients are looking for more than the bland banker. In this way the clothes I wear are very much part of the language of my business," he says.

And what a feast of sartorial semiotics they are. Ranging from Balinese sarongs to fur hats fit for a Russian dictator, they kit him out for every fashion eventuality whether it be: "roller blading in Miami or meeting corporate collectors in Geneva".

His suits have been made-to-measure for the past 14 years at the family tailor in Florence. "Until recently ready-made suits were a very negative issue in Italy," says della Gheradesca darkly. He tends to supply the tailor with fabrics he has acquired elsewhere.

"I sometimes like to buy unusual cloths that although appearing slightly 'poor taste', will nevertheless work when made-up. It's part of my own personal challenge of not wearing a uniform."

He favours the looser Italian cut and is currently enamoured of a 1940s silhouette. He feels the "English military milk bottle-style" and "too short trouser look favoured by men of obviously Wasp origins", are not for him.

He prefers single-breasted styles. "I don't like double-breasted – all that fabric, buttons and pockets overlapping on the stomach. Also, I am very picky about details. It annoys me particularly if the breast pockets are badly-placed, cuff buttons are too close to the edge of a sleeve and a waistcoat is cut too small." He also has several blazers: "Quite the most useful and versatile item in a man's wardrobe."

Shirts are custom-made in Italy. He tends to choose plain colours but, as with his suits, enjoys stretching the boundaries of good taste.

"I like to pick up some dubious taste fabric and have it cut it into a very formal shirt and then wear it with a very serious suit. I hate dressing to perfection. In my opinion, one element of bad taste in an outfit such as a fun watch, silly cuff links and amusing tie, can be playful and amusing. However, you have to learn to play the game – dominate the beast – otherwise you just end up with unadulterated vulgarity."

However, it is the waistcoat that forms the mainstay of *il stile* della Gheradesca. "It is a much more satisfying accessory than a tie: there is only so much you can do with a narrow strip of silk, but a waistcoat offers endless possibilities," he enthuses. He began his love affair with the garment by wearing relatively subdued sporting styles from W.H. Gidden as a "sweater substitute against the British climate", but soon graduated to a feathery confection from Favourbrook made entirely from pheasant plumage.

"I quite launched a fashion in Italy, when I wore it for boar hunting." Now he wears a waistcoat on every possible occasion. The choice includes a lavishly embroidered 18th century example bought at Sotheby's, a funky one made from US college flags, an amusing numero from Italy constructed from a patchwork of ceramic tiles and several ethnic ones.

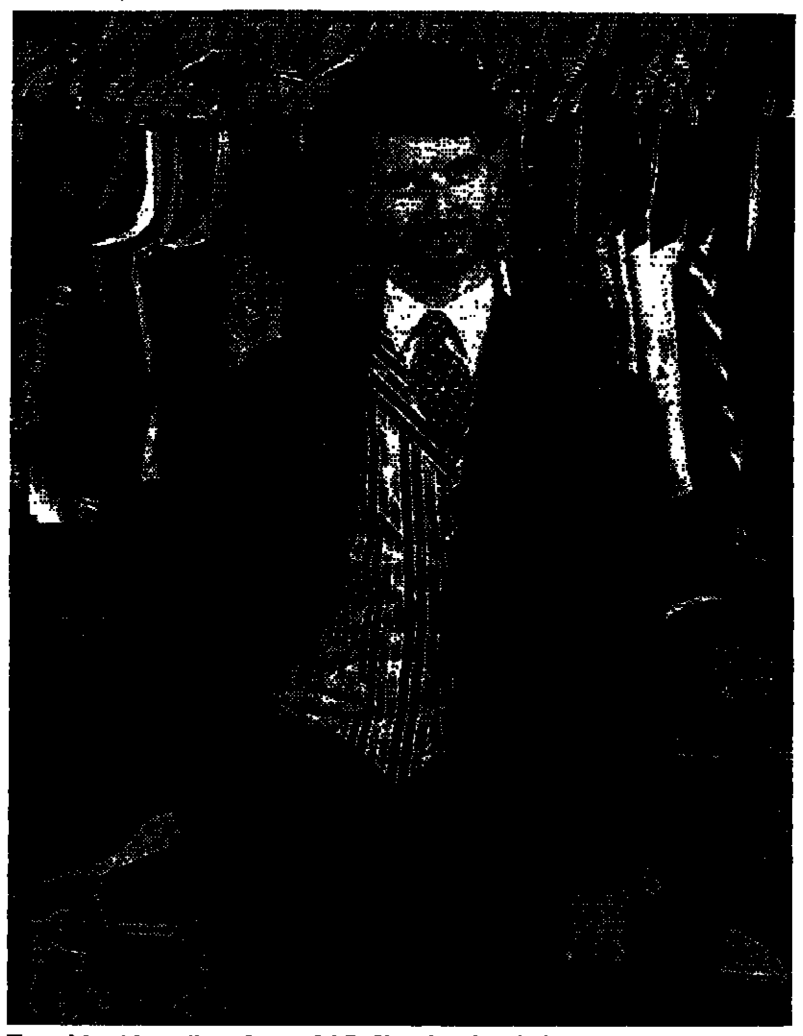
Della Gheradesca lavishes as much attention on his casual clothes as his more formal outfits. "I learned about casual dressing in America, where the compelling need to dress down has resulted in the best casual clothes in the world."

In addition to endless sweat pants, denim shirts and hounds-tooth jackets beloved of a certain class of Italian, he has 20 pairs of jeans. "I adore wearing jeans because they are the only garments that change as you wear them. By the time you have thrown them away, if ever, they have undergone a complete metamorphosis."

He is also intrigued by the fashionable "rich man's, poor man's look" and adores buying downbeat utility clothes that are made in luxury fabrics.

"The secret to stylish dressing is not to show you are trying too hard," says della Gheradesca. And does he have this quality? "I think I give myself away in small ways."

■ *Pictures: Lydia van der Meer*
■ *John Morgan is associate editor of GQ magazine*



The waistcoat forms the mainstay of della Gheradesca's style: he wears one on every possible occasion. Here, a Favourbrook version is worn with a grey suit and an Etro tie

Metamorphosis: 'I adore wearing jeans because they are the only garments that change as you wear them.' This shirt is from Voyage and the waistcoat is a patchwork of ceramic tiles

More than the bland banker: 'The clothes I wear are very much part of the language of my business.' Here, jeans are smartened with a blazer.

FOOD AND DRINK: THE FRENCH CONNECTION

As France prepares for its summer invasion of Britons, Weekend FT writers have been gathering news and views from its regions

Under starter's orders

Hors d'oeuvre. The phrase hangs heavy on my lips, associated as it is with meals unwillingly partaken in railway hotel dining rooms 30 years ago, experiences so gloom-laden that I have not dared return.

It is difficult to forget the smell of stale foods that weighed down the curtains. The carpets with patterns that screamed. The occasional whisper between diners that passed for conversation. And the food.

Hors d'oeuvre was probably the only alternative to glutinous Brown Windsor Soup. There were poor quality sardines swimming in poor quality oil, denied even a smattering of parsley to cover their misery. There were frozen peas, diced carrots and potatoes in salad cream masquerading as Russian salad. There were cold baked beans and hard-boiled eggs with rubbery whites and black-rimmed yolks that stuck in the throat like golf balls.

Thank goodness for change. First, the spread of the trattoria with its lighter and fresher tasting antipasti forced British hors d'oeuvre trolleys to improve their standards. And now that the fashion for lighter eating is firmly established, hors d'oeuvre, antipasti, mezze, zakuski, call them what you will, have become a star turn.

A sparkling selection of small and appetising dishes is rightly prized, not only for serving in its traditional role as a first course, but also as lunch in its own right. What could be nicer for lunch in the garden when summer weather plays fair?

A few choice meats and fish are usual. Classics include fat salt anchovies, ventresca tuna and cured herrings. Also excellent are garlic fried squid, mussels lightly steamed and dressed with fresh herb vinaigrette, and brown shrimps or cold water prawns served in their pink armour with wedges of lemon or lime or home-made mayonnaise or aioli.

I tend to wave the flag for meats such as Scottish smoked venison and Cumbrian or west country air-dried ham instead of salami and saucisson.

Dairy produce may be welcomed by those who eat neither meat nor fish. For example: crottins or other small goats cheeses preserved in oil, sliced paper hoop thin and scattered with nasturtium petals. Cubes of salty ewes-milk fetta tossed with fresh chopped thyme, oregano and toasted coriander seed. Slices

of buffalo mozzarella sandwiched between basil leaves and slipped toast-rack-fashion into slits made in large tomatoes cut nearly but not quite through.

Pancake herb omelettes (one-egg omelettes, cooled, rolled up like a cigarette and snipped across into ribbons) are also good, as are hard-boiled eggs that are not indigestibly hard. (For yolks that are creamy rather than bullet-like, just cover the eggs with cold water, bring slowly to the boil and boil for six minutes only, then plunge in cold water to arrest cooking.)

But the main part of the spread – indeed sometimes the whole of it – should consist of vegetable offerings.

Currently *à la mode*, and utterly effortless for the cook, are such things as artichoke hearts, wild and cultivated mushrooms, sun-dried tomatoes, grilled baby onions and other bulbs preserved in oil. Quality varies enormously from brand to brand. Most of the best I have tasted come from southern Italy and are bottled in virgin olive oil.

My own preference lies with raw vegetables and freshly cooked salads because they tend to be cleaner tasting. For the freshest impact, the trick is to serve cooked salads before they are completely cold after cooking. Never should they be chilled. Present favourites of mine include:

■ Barely wilted spinach anointed with oil in which mustard seeds have been warmed until they popped. Baby courgettes halved lengthways, lightly steamed, patted dry and spread with parsley and coriander pesto. Baby leeks steamed and dressed with vinaigrette à l'oeuf. Steamed cauliflower sprigs tossed with olive oil, lemon juice, chopped capers, olives, mint and green coriander.

■ Cucumbers are better, I think, seasoned with sugar rather than salt. Dress the slices with vinegar, but no oil, coarsely ground black pepper, chopped dill or herb fennel and starry-eyed blue borage flowers.

■ Roasted red peppers call for oil but no vinegar, a little sea salt and a soupçon of finely chopped garlic.

■ Small cultivated mushrooms (marrons for preference) are delicious raw if sliced and tossed twice over, first with a little salt and lemon juice, then with a few tablespoons of sizzling hot olive oil aromatised with bay leaves and toasted and crushed cumin.

■ Boiled French beans welcome a squeeze of lemon if aioli is on the menu, or a few spoonfuls of very finely chopped tomato flavoured with a sliver of garlic and a few crushed fennel seeds.

■ Raw wedges of crisp Florentine fennel need no adornment. Slices of avocado benefit from a dressing of chopped chillies, green coriander and lime.

■ Good bread is always needed to mop up fragrant juices and to provide starchy contrast. A mealy dish of pulses is also to be recommended. Lentils with lovage and bacon makes a splendidly savoury choice: cook 5oz of little green lentils and a small chopped onion in ¾pt water with the juice and zest of half a lemon, adding salt only when the lentils are tender.

Dress with garlicky vinaigrette using two parts oil to one of lemon and mix in 2 tablespoons of chopped tender young lovage leaves and 2oz grilled streaky bacon cut into snippets.

If no lovage is to hand, add a pinch of curry powder to the cooking pot and finish the dish with chopped celery leaves.

Philippa Davenport

Michel Bettane: devoted to wine quality Trevor Humphries

The trouble with the French . . .

"Wine is one of the great strengths of France. The name Margaux or Lafite is much better known around the world than, say, Balladur, but the French seem to take no pride in their wines. Britain has much better media coverage of the subject.

"The quality of a new vintage is a very important cultural and economic fact to France but, contrary to any other subject, reporters never ask an independent outsider about it. They ask the Ministry of Agriculture!"

The exasperated "independent outsider" delivering this diatribe is Michel Bettane, widely hailed as France's top, if under-utilised, wine writer. A jolly ovoid, vintage 1952, self-taught and passionately devoted to wine quality, he gave up teaching classics three years ago to devote himself to the French monthly magazine *Revue du Vin de France* (RVF) of which he is not editor but its trump card.

Although France is the world's leading wine producer, RVF is France's only consumer publication devoted to wine. Britain has at least three (*Decanter*, *WINE* and *The Vine*) while *Wine Spectator*, *The Wine Advocate*, *Wine Enthusiast*, *Appellation* and the *Quarterly Revue of Wine* are just some of the US counterparts.

The approaches and objectives of these three countries' wine writers could hardly be more different. For Bettane, it is as important to inform and guide France's vine growers as the wine consumers among RVF's 30,000 readers. His particular hobby horses are the need to limit yields, the evils of relying on a single clone of each vine variety, and the virtues of ecologically sensitive viticulture.

Accordingly, he spends at least three months each year in vineyards and cellars counselling vignerons. His reference points for each vintage include Michel Delon, Alain Vauthier and Michel Rolland in Bordeaux and Lafon, Leflaive, Leroy and Accad in Burgundy.

Famed for both his palate and his memory, he never takes a note in situ. "It's just a matter of politesse: you're a guest; a grower gives you what he thinks is his best wine. How can people do it? What's more important is to listen to the wine and to the grower."

His policy is to criticise by omission rather than to publish a poor review. "It is very important to say the truth to the growers, but not necessarily to the readers." When asked how he retains his objectivity, he interprets the question as referring to his personal tasting technique rather than any suggestion of partiality.

American wine writers, on the other hand, will do anything to maintain their distance from producers. The preferred research method of America's influential Robert Parker, for example, is to assemble and compare hundreds of sample bottles on neutral territory. Comments and points out of 100 based on his palate, rather than any contact with individual producers, are then printed in ruthless detail.

While most American wine writers concentrate on nosing out the finest, rarest and often most expensive wines, the British approach is more democratic, but can be considerably less inspiring. "Go there, buy that," succinctly summarises the average British wine article. British wine journalism is still informed by the notion that the writer's job is to demystify this curious foreign beast called wine and swell the ranks of wine drinkers. The chief beneficiaries are the supermarkets, and those selling wines at under £4 a bottle.

In France, Bettane sees his job as halting the decline of wine consumption and educating a new generation of consumers.

While Britain's consumerist wine writers list retail stockists, their US counterparts have to limit themselves to importers, so complex is the US distribution system. Bettane and his ilk simply give the address of the producer, however. "In France we don't have wine merchants, and those few *cavistes* that exist have no knowledge at all of the international wine market."

As well as travelling to the US, and possibly Italy or Germany once a year, Bettane reads the British and American wine press avidly. He treasures his relationship with "Bob" (wine guru Robert Parker) and, like him, Bettane was born in Maryland, even though they differ on the subject of

France's top wine writer complains about his countrymen

wine scores out of 100. "They are very, very dangerous. More and more the wine trade simply reacts to these points rather than knowing what they like and want to sell.

"I have resisted publishing points in RVF. We use a much more general star system. In France we judge in a more *cultural*, civilised way. To understand Pinot Noir, for example, you must understand the culture of Pinot Noir before the technical knowledge.

"No Frenchman knows more about California or Italian wines than me but it's difficult to write about them because there's no market for them in France – although more French people are becoming interested in non-French wines, especially Italian wines because of the cuisine.

"I think California produces some superb wines, but Australians? I just cannot understand them. Even someone as sympathetic as James Halliday [Australia's top wine writer and a wine producer] seems to be from another planet. Acids, tannins, balance, we taste completely differently. With Davis [the academic centre of California wine], I understand them – and I know they're wrong. With Australians, I can't even understand them."

For the moment, however, Bettane has quite enough problems to sort out at home. "We think that more than 60, perhaps 80, per cent of all French *appellation contrôlée* wines are below the necessary level of quality, especially in Burgundy and Champagne. That's why *vins de pays* producers deserve success; because they work so much harder.

"Perhaps the best value appellations in general are in south west France – Madiran, Jurançon, Bergerac – and the Languedoc. They are modern wines with the complexity of French tradition rather than the simplicity of the New World. "And," here he gives his trademark mischievous smile, "they're so much less boring than Bordeaux."

Jancis Robinson

Food and fizz: a tricky match

Just what should you eat with champagne, asks Giles MacDonogh

The large and ancient province of Champagne was one of the jewels in the French crown. In spite of so many vicissitudes of fortune it has hung in there, bearing the brunt of the action. Battles and wars have been fought over its chalky soils. You would be hard-pressed to find a city, town or village which remains unscathed.

Mention Champagne today and it is wine rather than war which springs to mind. Ask about the food and the locals will explain that there has never been a gastronomic tradition worthy of the name.

Press them further and out will spill a shortlist of rather earthy things: the *potée* or stew which was served to pickers at the end of the vintage; pigs' ears, trotters and *andouillettes*, so prized by the area's peasant farmers; in the less vinous country to the east, bread and dripping; little pies and pâtés and even that great pigeon pie on which French kings gorged themselves after coronations in Rheims; river fish, some muddy, some not: trout, pike, perch and eel; a special race of sheep which grazed on the chalk slopes of the Mountain of Rheims and which had white flesh as a result.

In Britain a similar list would be the object of pride. In Champagne it is dismissed as "nothing much".

Since the champagne houses started receiving favoured customers in the region, much of this has changed. The business of entertaining visitors has spawned its own style of cooking, as like to the original as chalk to cheese.

The great houses needed restaurants of an elegance worthy of their top *cuvées* and dishes which would not spoil the delicate taste of the wines. Any restaurateur who could provide both could be guaranteed of the patronage of the champagne firms. A second *cuisine champenoise* was born. It is the only one the casual visitor is likely to experience today.

Champagne wine is a delicate balancing act between three grape varieties: the maligned Pinot Meunier, the more robust and fruity Pinot Noir and the floral, and occasionally ethereal Chardonnay.

Some champagnes depend wholly or principally on one variety and make wines which are, for the most part, less complex. Then there are the still wines of the region: red Pinot Noirs from Bouzy, Ambonnay or Cumières; white, Coteaux Champenois; or oddities such as the earthy rosé des Riceys.

The variety of styles gives the restaurateur a wide range of flavours to play with. Certain dishes go better with one champagne than they do with another. By common consent some dishes do not go with champagne at all: chocolate, oranges and salad.

To this list, Jean-Pierre Lallement, of L'Assiette Champenoise (tel: 26 04 15 56), would add bell peppers, onions, mint and rosemary. Garlic is highly risky. On the other hand Lallement is not shocked by the idea of tripe with a Pinot Noir-based "blanc des noirs".

Anyone who wants to play safe will serve you lobster, scallops or Dublin Bay prawns. None of these will rock the boat. The conventional wisdom is to serve them with a Chardonnay-dominated cuvée, or even with a pure Chardonnay Cremant from the Côte des Blancs. The only time I found this did not work was in a champagne house where the chefs, from an Epernay restaurant, had laced the lobster with onions and garlic and assassinated the wine.

Chardonnay-based wines would seem to suit the ultra-fashionable John Dory too – although any wine of character will tend to overpower it. Traditionally, salmon was thought to pine for champagne: Grimod de La Reynière gives a recipe for a salmon sweated in two bottles of the stuff: "This fish is something of a drunkard; what's more it will only drink the best."

I wonder what Grimod would make of modern farmed salmon; a fish so oily that it is half way to a herring or a mackerel. In the restaurant Florence in Rheims (26 47 12 70) I have seen champagnes knocked sideways by both sardines and red mullet.

The chef at Florence did, however, manage to come up with a *papeton* of pigeon stuffed with its own liver and little *niçois* olives which went remarkably well with an all-Pinot Noir rosé. On the other hand, an attempt to match a gutsy champagne with lamb wrapped in bacon (white-fleshed or otherwise) proved a failure. I remain unconvinced by any attempt to marry champagne to red meat or game.

Champagne's cheeses are all peripheral to the province: Chaource, Langres, Boursault, Brie and Maroilles. The Champenois have a particular affection for the latter which ripens in the autumn and is brought down from the north by the pickers. It is a strong cheese; not for nothing is one sort dubbed *le suppositoire du diable* while a version from Lille is called *le puant*, or the stinker.

Strange as it may seem, the stinker went well with an old (1975) vintage champagne at the excellent Grand Cerf at Montchenot (26 97 60 07) and old vintages of this sort also combine well with foie gras.

Providing your pudding is not too sweet, champagne, especially rosé champagne, can provide an effective foil. Buttery pastry seems to cry out for it. On the other hand it is best to go easy on sweet, fruit sauces. All over France it is common practice to open a bottle of champagne with dessert when you are dining in style.

Outside the region itself, there is clearly less demand for meals accompanied by different champagnes. Even in Epernay I found the head of one champagne house who was clearly not going to go to war for this sort of gastronomic marriage: I asked him when he liked to drink champagne and he replied: "Every evening, before dinner." The rest was diplomatic silence.

Anyone wishing to learn to cook with and around champagne at one of the regions better hotel-restaurants might be interested in the Auberge Saint Vincent, in Ambonnay, which runs a three-night cookery break at just £183 per person. For the price you get accommodation, dinners and breakfasts, cooking sessions (you eat you own work), a visit to a champagne house and ferry crossings for car and passengers. Inquiries to Inntravel: tel: 0439-771111; fax: 0653-628741.

A Catalan transformation

What makes someone with a future, a steady income and a secure job with sociable working hours, give it all up to become a restaurateur?

As I still cannot explain why I did just that, I put the question to Jean-Marie Pujade, who has opened a second restaurant, this time in Paris. Such was the level of background noise from his busy venture, barely six months old, that I had to call him back three times.

Thirteen years ago, Pujade was an architect in his native Perpignan, geographically in south-west France but culturally, spiritually and gastronomically part of Catalonia, the region that encompasses north east Spain and France's Roussillon, and which looks to Barcelona as its capital.

He was, however, growing increasingly disenchanted with his architectural commissions and, in a sharp change of direction, became a nightclub owner. There, food in the form of tapas and other small dishes was served, nominally to soak up the alcohol. But, like me, Pujade began to enjoy serving food to the paying public. In my case, memories of Jewish family cooking were rekindled: in Pujade's it was the Catalan cooking of his grandmother.

In September 1986, one of Perpignan's oldest restaurants, La Casa Sansa, which opened in the early 1890s, was for sale. In spite of a distinguished history – I was told about a local tax inspector who had eaten lunch there every day of his working life for 40 years – it was in need of Pujade's architectural skills. A deep, gloomy beige on the walls and unflattering ceiling lights were not going to appeal to the clientele of the 1980s. Working 15 hours a day, Pujade transformed the place into a Catalan brasserie.

Today, the dining room is much lighter, the walls covered in an eclectic mixture of prints, photographs and posters which, naturally, incorporate Picasso and Dali, and around the open bar is a collection of model wooden ships. Pujade has solved the problem of communication between the restaurant and kitchen by simply carving a hole in the wall, through which orders, dishes and chefs move easily. The service is fast and friendly, supervised by an elegantly dressed woman, who appeared completely in control.

While there can be no doubting the courage involved in Pujade's mid-life career change, his timing has been impeccable. So many of the basics of Catalan cooking – garlic, olive oil, vegetables, fish and non-fatty grilled meats, such as chicken and rabbit, – are currently fashionable. La Casa Sansa's menu incorporates them all.

We began our meal with thick, grilled asparagus served with a very garlicky aioli. Calcots, a large, local, spring onion, also grilled, was accompanied by a slightly watery romesco sauce. This was followed by quickly sautéed fresh, young squid and *escalivade*, a simple but filling dish of roasted aubergines, peppers, onions and tomatoes, drenched with olive oil.

Then on to a plethora of fresh fish with an appetising white wine from Bernard Vaquer. A plate of thick *gambas* prawns, was served grilled accompanied by Rivesaltes, a local fortified wine. A *parillade de poissons* included monkfish, cod and bream. A rather evil-looking, but delicious-tasting, *cassolette de la mer* was thickened and enriched with almonds. Finally, and fittingly, we were brought *crème catalane*, a cross between *crème caramel* and *crème brulée*, strong coffee and a bill of less than £20 per person.

Sensible pricing is another of Pujade's skills. Behind us a table of six sat down to the FFr48 (£5.60) two-course *menu du jour*. They began with a thick vegetable soup and then did battle with a large plate of *costellou*, a Catalan dish that incorporates various cuts of pork. (The *menu du jour* in Paris is FFr78, but menus and wine lists are the same in both restaurants).

If I was unable to find an exact answer as to what had lured Pujade into the restaurant business I would not let him return to his customers without telling me why he had made the successful 900km leap from Perpignan to Paris.

He replied, with typical Catalan pride: "Firstly, because Paris is the world's capital of good taste – after Barcelona, of course. As to its success, Parisians love the food but coming to my restaurant here brings back for many of them happy memories of holidays in Catalonia."

■ *La Casa Sansa, 43, Rue des Mathurins, Paris 75008. Tel: 42 65 81 62. La Casa Sansa, 3 Fabrique Couverte, 66000 Perpignan. Tel: 68 34 21 84.*

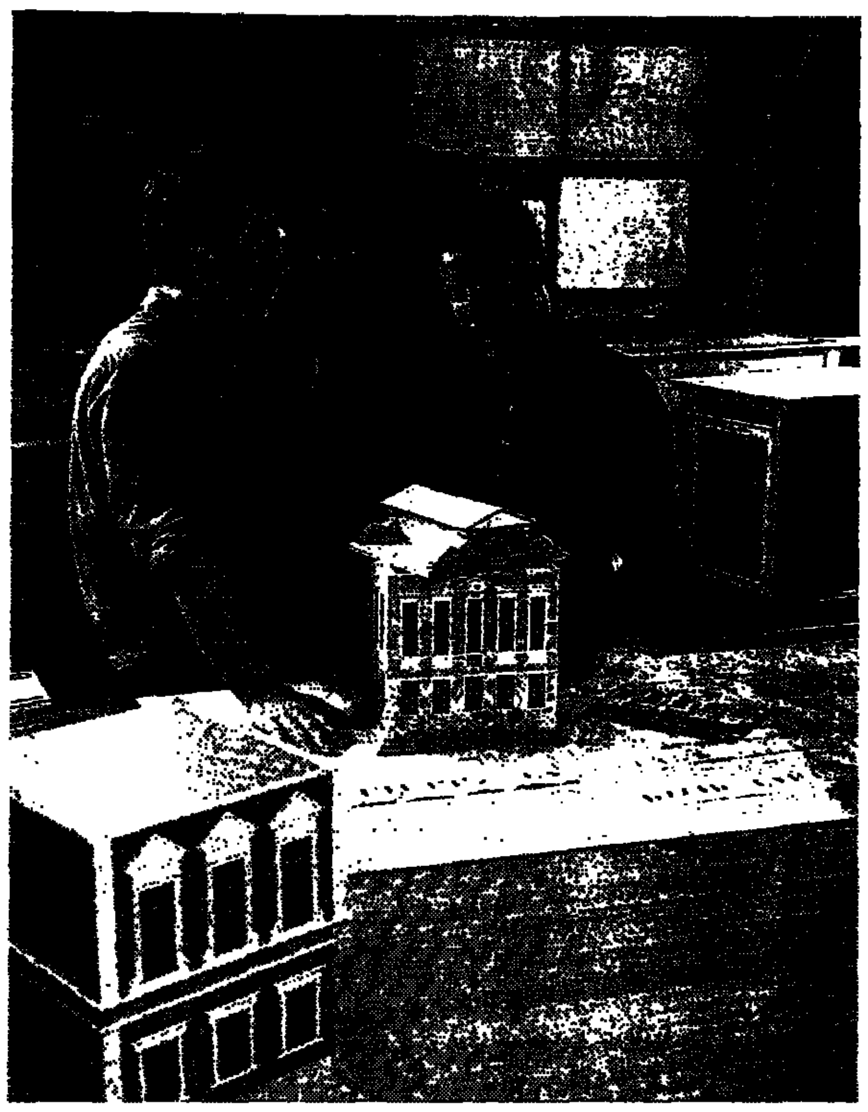
Nicholas Lander

Bon Appetit

You enter the little auberge and the waiter hands you the menu. Your mind goes blank. Just what is *potage Longchamp?* What is *lingue?* What is *loubine?* You have forgotten – or you never knew – so one of those interminable franglais conversations takes place as you extract the meaning from a recalcitrant waiter. There is another way. Take Tessa Youell and George Kimball's pocket guide to *French Food and Wine* (£5.95, Carbery, 240 pages). It is not a new publication but it has been reprinted and is worth mentioning again for those who want to remove the frustrations of understanding often complex menus. *Jill James*

Dunhill joins Linley for the royal box

***Lucia van der Post** on a joint enterprise which has produced some fine containers*



David Linley, right, and craftsman, Mark Whitely, discuss the finer details of an Inigo Jones box

Alfred Dunhill, that most English of enterprises, has teamed up with Lord Linley, that most entrepreneurial of royals, to produce a series of boxes – most of them designed to be humidors – on quintessential English themes. If the very notion of hours and hours of intricate effort devoted solely to producing exquisite boxes seems strange, it is worth remembering that fine wooden boxes, exquisitely wrought, minutely detailed, are part of an old-established English tradition.

Lord Linley himself has long been intrigued by boxes and made his first one – a birthday present for his grandmother – when he was just 15. "It was made of English walnut and had secret mitre dovetails. She uses it still – it appears regularly at the end of meals when it is used to hand the cigars around. So when Dunhill came to me and suggested that we embarked on a joint enterprise it appealed to me at once.

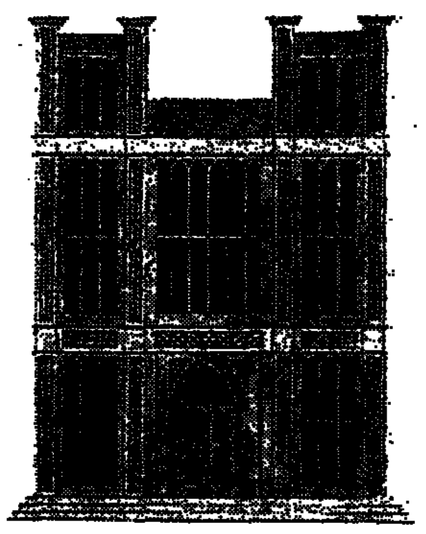
"My company had already made jewellery boxes for private clients as well as cabinets to hold spectacles, pens, watches and so I was delighted to explore the possibility of producing decorative boxes for cigars.

"The team came up with the idea of using architectural themes from the repertory of England's greatest architects – we had already explored architectural motifs in some of our furniture but none of them are exact renditions of any given period, more they aim to capture the flavour and the style."

Dunhill's brief was that it would provide the humidor expertise (Alfred Dunhill started up as a supplier of accessories to the newly chic hobby of motoring, but it eventually became best known for its tobacco business) and David Linley's company would contribute the decorative container.

It might now seem politically incorrect to produce exquisite receptacles for carcinogenic symbols of high living; but both Dunhill and Linley say that all the boxes can be customised for other purposes – holding jewels (coronets and tiaras?), stamp collections, pens or beads.

Two years on and the boxes are now ready. There are five designs (based loosely on the architectural styles of Christopher Wren, Pugin, Inigo Jones, William Kent and John Soane) and just 10 boxes of each design. They measure 14ins high, 10½ins wide and 10ins deep and, if used with the humidor fitting (which is included in the price) hold 250 cigars. Each style, though, has a much larger run of what Linley calls "disciple" boxes – these are smaller but in similar mood and are considerably cheaper.



One of five designs: watercolour drawing of a limited edition Pugin box

They are exquisitely made but, and Lord Linley is adamant about this, they are designed to be used. "The lovely thing about wood is that it gets better with age."

Each is made by hand from mainly English woods such as walnut, oak and ash, while ebony, satinwood and black sycamore have been used for the inlay. Making the boxes involves intricate crafts such as marquetry, inlay and wood-carving ("using wood to paint with", as Lord Linley puts it), all of which is very labour intensive.

"We are beginning to see many people who want something designed and made specifically for them and not for some abstract market" – that individuality is what these boxes are all about.

Who, you might legitimately wonder, could possibly be prepared to pay £1,500 – the price of the smaller, disciple boxes – let alone the £9,500 or so that the larger boxes command?

The boxes are currently on a world tour, progressing at a hectic pace with their royal designer (and his wife) accompanying them. Six have sold in New York, three in Chicago. This week was San Francisco's chance. Next comes Los Angeles and Hong Kong, while London must wait until Wednesday May 25 when they go on sale at Dunhill at 30 Duke Street, St James's, London SW1.

A child of the sixties celebrates a birthday

***Lucia van der Post** on Habitat, 30 years old this week*

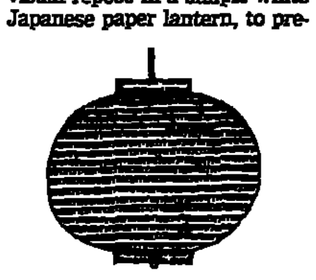
In 1964, when Habitat was born, I was a young mother in London, wheeling a great high-sprung pram up and down the King's Road from World's End, where we lived, to Peter Jones, Sloane Square, where I went in search of a carpet or a lampshade or a chair that I liked and could afford. I was almost always disappointed.

I had four floors of a terraced house to furnish and little money or experience. Finding few things that I could bear to bring across the threshold, I began to think I had very peculiar tastes. Certainly that was how many shopkeepers of the day treated me, implying that anyone who stocked the kind of things they imagined I wanted would soon be out of business.

A page from the Habitat catalogue of today

My husband was completely nonplussed at how extraordinarily picky his young wife had turned out to be. The trickiest scenes took place in the linoleum department where the prevailing tastes of the day ran to bright renditions of shells, stones or ancient Greek mosaics.

Then Habitat opened, on May 11, 1964. Oh, the relief. It was perfectly all right not to like fringed velvet three-piece suites, to want no truck with lampshades perched upon porcelain dolls, to prefer sturdy pale pine to Formica, to find visual repose in a simple white Japanese paper lantern, to prefer one's salad tossed in a hand-turned wooden bowl rather than a plastic one.



Juliet Glynn-Smith's drawing for the opening of the first Habitat

The main window of the Habitat shop in 1964

It is almost impossible to convey to the post-Habitat generation just what the birth of that first shop meant to the young marrieds of the 1960s. The clarity and simplicity of the vision was stunning.

Sir Terence Conran's avowed mission was to prove that "functional can be beautiful, and beautiful must be affordable". One design journalist was so carried away she felt "as if she had died and gone to heaven". It was much more than a shop – it offered the promise of a warmer, more sun-filled way of life.

This week, Habitat was 30 years old and celebrated its birthday by offering a small selection of goods stocked by the original shop at the original prices – Japanese rush bugs at 18p, director's chairs at £5 each, six Paris glasses for 75p, bentwood chairs for £6.50.

All these things are marvellous illustrations of the longevity of what we have come to call good design. The director's chair, the bentwood chair, the paper lanterns, the plain linen, the rush or willow ware, the simple wooden products – all have much the same timeless air as, say, an 18th century piece of Wedgwood creamware, a piece of Shaker furniture, French bistro pottery, 17th century English silverware. All of them should go on looking good for years to come.

Tasteful, attractive, functional things, Habitat proved, did not have to come with fancy price tags. We still have at home, doing sterling service, some of the items we bought all those years ago – a couple of red Magistretti rush-seated chairs, white painted bentwood chairs, a black-stained ash desk top on trestles, storage units and countless earthenware casseroles, white porcelain pots à la crème, white souffle dishes. I am as pleased with them now as I was then.

If you look at Habitat today, it is good to see that Vittorio Radice, the managing director, has kept to his avowed intention of taking Habitat back to where it all began.

"Sir Terence Conran," he told me a couple of years ago, "had a wonderful concept and as long as he kept to it the stores flourished. They were all in beautiful buildings that were special to their towns. It was only when he took his eye off the ball and they took Habitat into huge sheds in edge of town sites that the merchandise deteriorated and the image became seriously damaged." The 1980s Shabitat jokes began.

Look through a current catalogue – or better still, visit one of the stores – and you will see the original concept is alive and strong. The stores today are light, bright airy places, just as I remember that first store in the Fulham Road.

It has grown up a bit, in that the sofas look plumper, softer, more welcoming. The textiles reflect our modern preoccupation with the earthy and the natural. There is some lovely appliqued bed linen and plenty of the attractive rushware that brought in the original customers – look for rattan dining chairs, for storage chests, for tumbler covers, for picnic baskets and a wonderful reclining chaise-longue for just £149.

Another original Glynn-Smith drawing for Habitat

There is, as always, a touch of the ethnic – galvanised iron baskets and lanterns, an Edo paper lantern, a Dakari tray table from India. Having run out of new cuisines to introduce us to (remember the tagine, the wok, the pasta-maker?) kitchenware has reverted primarily to the simple and the classic with the occasional exuberant burst of hand-painted Italian ceramics.

In the Habitat of today you can find most of the basic ingredients a young household needs. It has once again become a place that the design world feels it needs to watch.

David Davies, the designer responsible for some of the most interesting retailing projects around, firmly believes that today it is one of the best home furnishing stores in the world. He says: "I travel a lot and I do not know of one to beat it for the mix of products, the incredible style and the very affordable prices. The textiles, the cushions, the throws, the fabrics are exceptionally well-priced and so is the furniture. Where else can you buy a really good chair for £49? My office is full of them."

The 1980s' jokes are drying up.

PERSPECTIVES

The Financial Times has reviewed documents which confirm the salient points of this personal account of events in a local authority social services department. Names have been changed to protect the accused.

Sexual harassment – or simply fascism at work?

A young shop steward called Helena, is proposing that a supervisor, Colin Maynard, be boycotted by union members. He has been seen on the corridor where he worked until the management agreed to a union demand that he should be banished to another building.

I ask: "What do you mean by boycott?" Another steward replies: "Have no dealings with him. Make it clear to him that his behaviour is unacceptable to the membership."

Helena asks: "Is there a seconder?" A hand goes up.

□ □ □

Maynard was in charge of a team of female administrative staff, several of whom were unhappy with the way he managed. They took the matter to a women-only subgroup of the union. Following their complaints, and investigation by the organisation's equal opportunities officer, a charge of sexual harassment was brought against Maynard.

He was then removed from the office where his team worked. A union bulletin written by the women's convenor explained the disciplinary action that was being taken under the sexual harassment procedure. It stated that Maynard:

□ Was pedantic about work and would often send a document back to be re-done because it contained one error, a misspelling or a wording he did not like;
□ Picked on certain staff and asked them to re-do items of work;
□ Laughed about staff's errors, criticised their work in front of others, criticised staff in their absence, and had reduced some to tears;
□ Acted insensitively over funeral arrangements and other personal matters and made it unnecessarily difficult for a female shop steward and a woman to attend union meetings;
□ Consistently worried staff over small arithmetical errors on their time sheets;
□ Kept secret records of staff sick leave;
□ Constantly observed staff timekeeping;
□ Interrupted people to correct them while on the telephone;
□ Openly disapproved of staff taking maternity leave;
□ Gave no praise to the women in his team.

Perhaps Maynard was a very unpleasant supervisor. But consider the wording of this complaint: keeping "secret sickness records" sounds mean-spirited and obsessional; but it is only another way of saying that Maynard kept confidential sickness records. That was part of his job.

That he "gave no praise to the women in his team" and "made life difficult for a female shop steward" implies discrimination; but there were only women in the team.

However, the suggestion of sexual discrimination primes the context for the one item of alleged behaviour that has a potential link with gender: that Maynard "openly disapproved of staff taking maternity leave".

Yet if he *was* guilty of this, it is not what he was accused of. Whatever Maynard's faults as a manager, the one thing absent from these allegations is sexual harassment.

The union's bulletin acknowledges that the sexual harassment charge had "problems", but said the union agreed to participate to "ensure that the manager was never in a position to harass women in the way he had been doing for seven years."

At the time, I tried to obtain the union's formal definition of sexual harassment without success. However, the popularly understood meaning of the term is: repeated, unwelcome sexual overtures. And Maynard, a middle-aged married man, had to explain to his wife that he was being disciplined for sexual harassment.

A witness recounts the tale of a supervisor who suffered accusations and then a union boycott in the department where he worked

Meanwhile, Maynard was deposited in a corner of the divisional director's small office, working on a box-like affair about the size of a schoolboy's desk. When I saw him there, I asked him how he was. He began to cry.

Privately, a lot of people, both in the union and out of it, sympathised with Maynard. Several female colleagues told me they abhorred the proceedings against him. But they mostly remained silent. One said she could not dissent publicly because she would then have to resign from the women's committee.

I looked for a reason not to involve myself but found myself drawn in.

I asked that Maynard's situation should be brought to a meeting open of the full shop membership, since only the women's section had been consulted so far.

The union representative was sympathetic, but was worried about the reaction from the women's section. I sympathised. About a year previously I had been deemed by its convenor, Deborah Kirby, to have raised something inappropriately at a meeting where she had been calling for a strike. She shouted at me with a combination of righteous fury and hints of tears. I was paralysed. So, apparently, was everyone else.

To his credit, the rep came back to tell me that the Maynard issue would be discussed at a full shop meeting in three weeks. However the meeting was cancelled three times. Then Maynard disappeared and interest in the issue waned.

So, four months on, 40 people are discussing the fact that Maynard's small, balding form has been seen in a corridor near his old section. Helena asks that all those in favour of boycotting Maynard raise their hands. There has been no debate, apart from my question.

I say: "Hang on – can we discuss this before we vote?"

Helena says impatiently: "This whole situation was discussed months ago. There's no point wasting everybody's time going over the same old ground." Several people murmur agreement.

"OK," she repeats, "all those in favour..."

A lot of hands go up.

I interrupt again: I splutter that this is a human being you are all voting to do something to – someone who has already had to go through being accused of something he did not do.

This is greeted by a chorus of jeers and sighs. But quite a few people are saying nothing. This includes at least one person who has said in private that she abhors what is going on.

I am stung with anger: "Whatever else Colin Maynard did, he doesn't seem to have sexually harassed anybody – has he? All I'm saying is that we should discuss what he's actually done, and..."

I was interrupted by Deborah Kirby, the women's convenor: "Paul, don't you think you're being rather ingenuous here. The original complaint was made months ago. If you had a problem with it, the women who made the complaint are just down the corridor from you.

"Why did you not just go and discuss it with them? We're not prepared to let the women of that team be put through even more distress just to satisfy you."

So the boycott is agreed with only one vote against – mine. After the meeting, I arranged to meet the union's district officer. But when he discovered I was only a rank and file member, he said: "I'm sorry, I didn't realise. I can't talk to you."

Four of us then wrote expressing our disquiet to the union. None of us received a reply.

□ □ □

So what happened to Colin Maynard?

I believe he carried on working where he was put – a middle-aged man with a blot on his record is not well-placed to seek alternative employment.

The process described above will be recognisable to anyone with even the sparsest knowledge of the history of injustice.

The ingredients were classic: a backdrop of popular dogma, a scapegoat depicted as a monster, group conformity, the formidable leader who over-simplifies, and finally the bureaucrat who will take the power but leave the moral responsibility. It is called fascism.

As They Say in Europe

Stand by your man – in Versace

Fashion editors and writers have failed to tackle a significant problem again exercising the minds of well-born ladies across southern Europe. What does she wear on that first, all-important visit to the prison where her husband or lover is held on a charge of corruption or embezzlement?

The rules, which had been dictated by Milan's elite San Vittore jail, are under attack from Madrid's Alcalá-Meco prison. The Italians turn up in a combination of *bella figura* and *haute couture*.

But politics plays a role: if your man is a leading socialist you wear Versace, for he is designer to those who formed the once sturdy backbone of Italian socialism: millionaires, media stars and intellectual glitterati. It is Krizia for Communists while Christian Democrats prefer Armani.

Spanish scandals have shown that the rules are not as strict as I had assumed. The wives of the former governor of the central bank, Mariano Rubio, and his investment broker, Manuel de la Concha, last weekend made their first visit to Alcalá-Meco. For the occasion they wore T-shirts and jeans in one case and a sober little suit in the other.

Elisa Rodriguez López, described as the former girlfriend or fiancée of the fleeing ex-boss of the Guardia Civil, Luis Roldán, even though she is married to someone else, chose an interesting anti-paparazzi combination for her appearance before the parliamentary commission investigating the matter. A huge Kelly bag, a crumpled power suit and an Hermès scarf held over her dark glasses.

I imagine there is a good deal of telephoning prior to the decisions that are made in such cases. It seems the need to present a defiant image looms large in such cases.

My inquiries among French female colleagues elicited the information that something "fabuleux" for any such occasion would be the correct choice in France – "St Laurent or Dior, but not Lacroix". In England, however, it would be well-cut tweeds and a *loose* cashmere sweater.

But enough of this semiotic speculation – we must return to the question of the comparative reaction of Italians and Spaniards to their corruption scandals. The fashion test indicates that the Spanish are individualistic, an impression confirmed by further study.

This may be because Italy's blanket approach, kicking out everybody remotely associated with the authorities, is not working well. The new government there will probably turn out to be little better than the old, and, as this week's cabinet list showed, it contains nastier elements than anything thrown up by the old crowd.

As the last prime minister, Carlo Azeglio Ciampi, pointed out in an interview in *la Repubblica*, the process of forming a government under Silvio Berlusconi in no way departs from the standards of the long decades of the corrupt *ancien regime*.

Ciampi himself, as a non-politician, had formed a government in a matter of hours and produced what was thought to be the best administration Italy has enjoyed for some time. But that went by the board and tradition has reasserted itself.

In Spain, lessons have been learnt, but maybe not by the conservative opposition. The Madrid *ABC* wants to chase everybody out.

It was, however, nice of it to recall a remark of the socialist prime minister, Felipe Gonzalez, of two years ago: "We don't have a problem of corruption that's any worse than that of neighbouring countries. What we have is a problem of public opinion because of the decision of some people to turn this topic into a weapon and an instrument of propaganda."

What do you wear on that first visit to the prison where your husband or lover is held?

The paper then argued Gonzalez was corrupt because of the way in which Rubio and De la Concha had been treated – thrown into prison "in defiance of elementary rights".

El Pais is more friendly to the government and rejected an Italian solution. In a Jesuitical sermon, it argued that many responses to the present "crisis of confidence" were possible. But it was no use just getting rid of the socialists.

"The socialist Titanic is sinking, but its captain must not abandon ship until the whole voyage, and its crew, have been redeemed: only then can he resign or sack others, now he is hanging on until history absolves him."

In Italy it never crossed anyone's minds to think in terms of absolution or redemption.

But there are areas in which tales of corruption among Iberian folk do follow the rules set by others. Those governing the lifestyle of men fleeing justice, and their lady friends, remain remarkably unchanged.

The magazine *Interviu* last Monday carried a traditional picture of the fugitive Luis Roldán on an anonymous beach "in underpants, accompanied by half-naked women".

One of the compensations of associating with men on the run, rather than those inside, has always been that neither they nor you have to worry about what to wear.

James Morgan

■ *James Morgan is economics correspondent of the BBC World Service.*

Lunch with the FT

Young master of moviedom

Michael Thompson-Noel talks to Tim Bevan

Last night, the hit film *Four Weddings and a Funeral* opened in London, having gushed big revenues at the US box-office. At face value, *Four Weddings* is a quintessentially English film, which is why it is being touted as the most successful such product since *A Fish Called Wanda*.

Four Weddings was shot in London just over a year ago. Its male lead is the stiff-upper-lipped English heart-throb actor Hugh Grant – already a lust object in Japan and the US. It cost $5m, some of which came from the British television company, Channel 4. *Four Weddings'* production company, Working Title, is London-based. And its executive producer, Tim Bevan, 36, could pass as James Bond.

Yet spend two hours in Bevan's company and you realise that the phrase "British film industry" is passé, despite pleas for subsidies for British film-makers. What London has become is the main branch office of the English-language movie business. This is not to belittle it but precisely the opposite, especially for a producer of Bevan's status.

I met him at Alastair Little's restaurant in Soho, London, which is informal, minimalist and excitingly expensive. Bevan asked for a goat's cheese salad, grilled sole, mineral water, a glass of dry white wine and a double espresso. Very Hollywood Hills, which is not surprising: he spends half his time there. He has given up cigarettes, but was pleased to see my Marlboro. "Please go ahead," he said. "I am the world's most dedicated passive smoker."

He is tall, athletic-looking, fresh-faced and frank: a skilled charmer but capable, no doubt, of considerable toughness. His first film, 10 years ago, was *My Beautiful Laundrette*.

He told me that *Four Weddings and a Funeral* looked like grossing $40m-$50m worldwide, which is starting to sound like an under-statement.

"Would that make it your biggest?"

Bevan choked on his fish.

"Yes, the biggest by a long way. *Laundrette*, for example, which cost $1m, didn't do great money though it made a few careers. *Four Weddings*, in contrast, is going to spew money. It has had a fairly charmed run. Nothing major went wrong during its shooting, and it opened in the US with a huge push: brilliant reviews, very strong marketing, and then word-of-mouth."

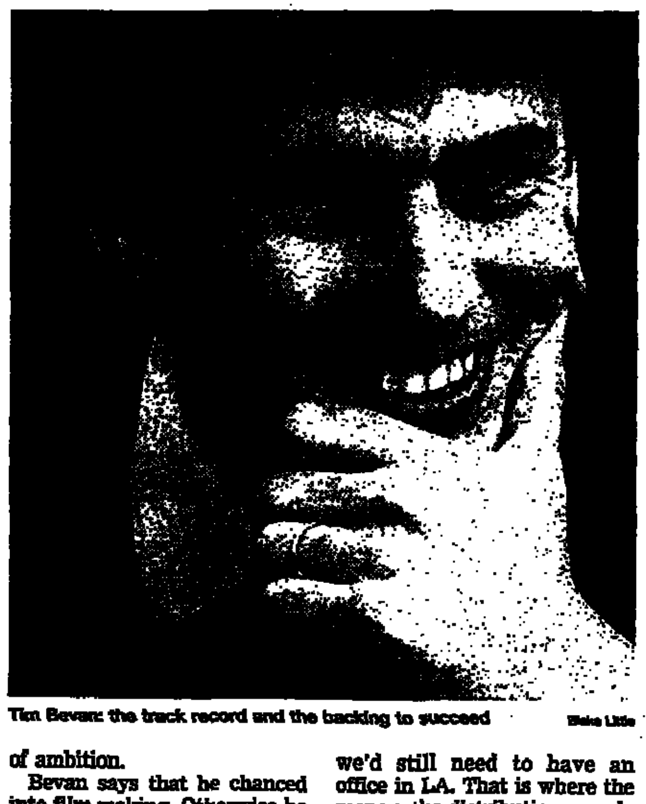
"If it's such an English film, why open it in America?"

"Oh – all quite deliberate. We platformed it. British film audiences are susceptible to movies that have succeeded in the US. It went to No 1 in America with no drop-off after six weeks, and also to No 1 in France."

Bevan's partner at Working Title is Eric Fellner, an equally well-regarded young producer, whose first film – a hit – was *Sid and Nancy*. One of them is usually in London, the other in Los Angeles, where they have a house in the Hollywood Hills. Both are married to actresses, Bevan to Joely Richardson, Fellner to Gaby Delall.

They divide projects between them. Their lifestyles have been portrayed as "flash cars, power wives, hot tubs and Sunday night red-eyes to LA, the Big Apple and back", and their ambition as the making of stylish, commercial films aimed at maturing yuppie audiences on both sides of the Atlantic.

They have the track records to succeed. And they certainly have the backing. Working Title is now a fully-owned subsidiary of PolyGram, of the Netherlands, a big-time entertainment company with plenty of ambition.



Tim Bevan: the track record and the backing to succeed Blake Little

Bevan says that he chanced into film-making. Otherwise he might have been a journalist. "Originally, as an independent film-maker, Working Title lived hand-to-mouth. But Eric and I certainly learned how to produce movies. We have had our fair share of dogs, but also of bad films that made money as well as good films that did well. Yet to do what you want to do as a producer you need a great deal of money behind you.

"Prior to PolyGram, I spent 99 per cent of my time trying to raise finance. The beauty of PolyGram is that I now have a great deal of time to spend on making films.

"Movies are a bit like the aerospace business, fully international but also a cottage industry. The village where the movies' cottage industry is based is Los Angeles, so even if we shot all our films in Britain we'd still need to have an office in LA. That is where the money, the distribution muscle and the talent is – writers, actors, agents – even for quite small TV productions. Even to hire British talent, you have to go through Hollywood. Movies are talent-driven."

At present, Working Title has five projects in advanced development – serious talking, final budgets – plus one being shot, about the Black Panther movement, and about 20, says Bevan, in preliminary development – money being spent, a writer at work.

"How about film violence?" I asked. "What do you think of the British government's recent move to tighten the censorship of screen violence and to crack down on retailers who peddle violent videos to under-age children?"

He swirled his coffee.

"In parts," said the producer, "*My Beautiful Laundrette*, which was *not* cut 10 years ago, was extremely violent. There was one shot, I remember, where a man's head was smashed through a car windscreen. *Very* violent. If I were making *Laundrette* today, they'd probably want me to cut bits out. Would I fight for every frame of that film? You're damn right I would, though I am against gratuitous violence. That is not something that interests me. Film-making is about truth and the honesty of the characters."

"All right," I countered. "Let's be specific. Let's take torture. Suppose a script calls for a character to be strapped to a chair and for another character to take a cigarette lighter to his ear, or even to his eye, right there on screen. Why should that be necessary? Are there any circumstances under which a producer could possibly justify such material?"

Bevan scrunched up his eyes. "I hate to say this," he said, "but I think almost certainly that the answer is Yes."

The British end of the English-language movie business is in up-beat mode. "Here is an example," said Bevan. "There are five young British actors at present – Liam Neeson, Daniel Day-Lewis, Hugh Grant, Ralph Fiennes and Gary Oldman – who are all under 42 and so talented that you can open a picture with any one of them. That is extremely rare."

I said: "How about London film critics? Aren't they the lamest dogs?"

Bevan's face cracked with laughter. Again he swirled his coffee. "They have often had a go at me," he said. "They've been there far too long. Always the same old faces."

At 3pm precisely, without indicating that he was remotely in a hurry or had anything better to do than sit and drink espressos, Tim Bevan said goodbye and eased his tall frame back into the Soho snarl. Probably caught the red-eye.

Sailing

Battered survivors limp into last leg

***Keith Wheatley** previews the Whitbread's last dash*

With the Whitbread race poised for the final dash east across the Atlantic from Fort Lauderdale to Southampton, one wonders if it will be a Kiwi double.

New Zealand Endeavour has an 18 hour 21 minutes lead in the maxi class; and *Yamaha*, skippered by Auckland yachtsman Ross Field, is 10 hrs 26 mins ahead of her closest W60 rival, *Intrum Justitia*. Grant Dalton, in charge aboard *NZE*, is also close to his personal goal of being the fastest boat around the world overall.

Dalton has always maintained that he built a maxi-ketch simply because research said it would go round the 32,000-mile course up to four days faster than the smaller, lighter W60 class opposition. That prediction has proved over-optimistic since, with 85 per cent of the race gone, *Endeavour* is only 11 hours ahead of *Yamaha*. However, mid-summer weather in the north Atlantic is generally light and this should favour the maxi class with their huge sail areas.

Yamaha's fifth leg victory was as unexpected as it was welcome to the crew. They had consistently been second or third into every port and were thoroughly sick of the bridesmaid role. Ross Field punched the air with delight as he crossed the line. He attributed *Yamaha's* win to reading the weather correctly, good tactics and excellent crew work.

Field gave the specific credit for getting the weather right to meteorologist Nik White, who joined the boat in Auckland. "Nik has limited sailing experience, worked for the New Zealand met office for two or three years, is highly qualified and we don't let him up on deck," said Field. "He tells us what he thinks is going to happen and we position the boat accordingly."

White may have set a Whitbread trend. Dennis Conner announced this week that he was cancelling plans to sail on the last leg with *Winston* and sending weather expert Bill Biewenga in his place. Biewenga, a veteran of three previous Whitbreads, has often worked as a consultant for single-handed racers, giving them optimum weather routes by radio from a land base.

Field's elation was short-lived as the Florida stopover was consumed by allegations that *Yamaha* had broken rules relating to outside assistance during leg one. The claims were made by deposed women's crew skipper Nance Frank as part of her US litigation against race officials and yacht owners. In essence, Frank claimed that her navigator, Adrienne Cahalan, (Field's fiancée) had been in fax contact with *Yamaha* swapping weather information from different parts of the course. This would be a clear breach of standard yacht racing rules if proved. Field, a former undercover detective with the New Zealand police force, obeyed orders when his own lawyers told him to "take the Fifth" and say nothing.

The international jury for the race took refuge in procedure when it declined to open a hearing because no current competitor had lodged a protest. This was in spite of claims by race director, Ian Bailey-Willmot, that he had evidence to authenticate Frank's allegations. So Field and his crew were excused a trial, but left with allegations hanging heavy in the air. Field declared himself "very bitter" about the outcome.

Also shaking his head over cruel fate was *Tokio* skipper Chris Dickson. They arrived in Fort Lauderdale eight days after *Yamaha*, the last boat in the 14-yacht fleet. *Tokio* lost her mast, and with it the chances of winning the race she had dominated, five days into the leg.

"The boat came very upright. I heard a lot of feet running around on deck and someone said 'Oh No. The mast has gone.' It was snapped

Leader lost: Tokio, which broke a mast on leg four, limping into Fort Lauderdale eight days behind the fleet

at the bottom spreader. There were broken bits everywhere," said Dickson on reaching Florida. "I have never experienced anything like it, we felt numb, really numb. It crossed our minds to pull out of the race when the chance of winning evaporated. But after a while the crew, to a man, decided that we would finish the job."

The man with the biggest hurdle to face is probably British sailor Lawrie Smith, skippering *Intrum Justitia*. They had been lying second to *Tokio*, had virtually discounted a challenge from *Yamaha*, and now find themselves having to fight to get back in the race.

"It's terrible. You feel it's all going against you," said Smith over the misfortune that had his boat parked in the Doldrums while *Yamaha* disappeared over the horizon.

"However, luck tends to even itself out. We hope there will be a lot of breeze in the next leg, we always do well in that."

New Zealand's domination of the Whitbread has obviously led Wales to think that there may be an X-factor in the race favouring small proud nations used to handling sheep. The first entry for the 1997/8 race has just been announced in Cardiff. *Welsh Dragon* will be skippered by the Anglesey-born international helmsman Edward Warden-Owen and is backed by the Cardiff Bay Development Agency.

Cricket/Teresa McLean

Manifesto for a sporting right-hander

John Major's lament that "summers will never be the same", after the death late last November of cricket's great commentator, Brian Johnston, has quickly passed into popular sporting language.

A book about Johnston has been produced, with that title and last weekend, BBC television broadcast a programme in tribute to Johnston, with that name. One of the programme's speakers was Major and it was striking how much better he is at talking about cricket than talking about politics.

But why separate the two? There is a hit-and-miss tradition in England of using cricket as an aid to public affairs and preaching. The prime minister knew enough of it to present President Bush with a cricket bat on an official visit to the US, admiring as he did so America's victory over England in the only cricket match the two countries have played, in the 1850s. Missionary diplomacy at its best, with England humble throughout.

As far as I know, history does not record the president's reaction to the bat. Given the prime minister's love of cricket, perhaps history would have a happier future to record for him if he would let his favourite game decorate his political life once in a while, perhaps as an agent of eloquence.

It does not seem possible, alas, to keep politics out of cricket. The d'Oliveira affair is one among many examples of that. But might not cricket be allowed to cheer up politics a bit?

Every time English politics goes into a grim patch, I remember C Northcote Parkinson's comment in his famous "Law of Delay" on cricket as a model for democracy. I can see that it might have less appeal for a government in power. "Most would agree that Parliament must continue to exist. While it does so, the two parties must play a game modelled, apparently, on that of cricket: a game in which no innings can be prolonged for ever."

Some politicians have a good go at it, though. Stanley Baldwin, renowned for his "safety first" politics, sometimes used clever tactics in playing safe. He was fond of cricket and when A P F Chapman led England to victory over Australia in the winter of 1928/29, Baldwin sent him a telegram designed to keep both countries in good humour. Chapman kept it all his life.

"Hearty congratulations on victory after a most gallant fight of which both sides may feel proud." A good bit of medium pace politeness on a sensitive Commonwealth wicket.

By the time that was sent, no one publicly attributed to cricket the grandiose serenity attributed to it a generation earlier. Bishop Welldon, for instance, once Bishop of Calcutta, was a man devoted to travel who had accompanied the 1903/04 English Test team to Australia, on the *Orontes*. When he returned, he wrote a "breezy and genial introduction" to P Warner's book *How We Recovered The Ashes*, and used it to sing the praises of international cricket matches.

"They tend as well to excite and promote a kindly feeling between the nations that take part in them. They have brought Englishmen to Australia and Australians to England. They associated them as members of the same great national family."

Inspiring himself as he wrote, the bishop ended up declaring that the reason Australia and New Zealand had supported the mother country in her recent war with South Africa was "the fostering of mutual respect through international athletic competitions at home and in the colonies."

Bishop Welldon was one of a number of sporting idealists who saw cricket as a tool of imperial peace-making in the early years of the century.

The 1932/33 Bodyline tour had an opposite effect, with diplomatic relations between England and Australia in danger of being severed and Downing Street calling special meetings to try and cope with the furore arising from Douglas Jardine's "leg theory" bowling tactics in Australia.

Jardine remained silent until the weight of pressure and the outspoken reporting of the tour prompted him to speak, back in England in February 1933, praising his men and quoting Kipling.

His men stood by him. Bodyline was a cricket issue which only attracted pronouncements by public figures attempting to keep the peace. It was the sort of cricket issue that the government was glad to leave behind, although England had won the series.

Not long ago the Pakistani government and, to a lesser extent, the English government were faced with a cricketer who mixed cricket and politics in a way few have done. His country's government denounced him in high style and his country's cricketers were glad that when events reached a peak, he was past his best with the bat and they had no reason to speak.

Aftab Gul was a student leader in the frenzied years of the late 1960s. He played cricket for Lahore University, where he was a law student. When England toured Pakistan in 1968/69, Aftab was selected for the Lahore Test because, it was said, students threatened to disrupt the match unless he played.

His scores of 12 and 29 did not do much to glorify the cause of student reform, there were some "minor riots and skirmishes" and the Tour was a troubled one.

Aftab was a talented, but erratic, opener and in three years played in six Tests. His politics led him to a spell abroad and when Pakistan's government claimed to have found ground-to-air missiles in his garage, it refused to re-admit him.

He applied for political asylum in Britain. It was not granted and, quite rightly, cricket was not mentioned as his government vehemently deplored his politics.

Clearly the tone to adopt when bringing cricket into politics is a peaceful one. Public speaking with little touches of cricket is a rare and neglected art, to be carefully used. I think Bishop Welldon tended to excess. But then Archbishop Temple tended to the philistine with his sole remark about cricket: "I have always looked on cricket as organised loafing."

It is probably time for a senior politician, rather than a churchman, to take his chance and talk cricket. As Johnston used to say, with a twinkle in his eye, to anyone who was nervous, "Go on. It's always worth a go. You never know what might happen."

Football/Peter Berlin

Can the FA Cup deliver quality?

If the Football Association succeeds in buying Wembley Stadium, it could make the crumbling monument more attractive to football fans by improving the quality of entertainment provided by its own FA Cup. Over the last two seasons both semi-finals as well as the final have been played at Wembley – but the only people who can have enjoyed the experience are Arsenal fans and accountants.

Wembley is the only English football stadium that can seat more than 50,000, albeit in extreme discomfort. It is the only ground where so many people – 335,000 – could have been bored witless by the nine hours of dreary FA Cup fare that stretched from the start of the Arsenal v Tottenham semi-final last year through to the dying minutes of extra time between Oldham and Manchester United last month.

The Manchester roar that greeted Mark Hughes' late equaliser against Oldham provided a reminder of the wonderful atmosphere Wembley can generate.

The omens are good for today's FA Cup final. The sun will shine. The perfect pitch will glow a beautiful green. The stands will be decked in royal blue and rich red. United, cocks of the north, will carry the aura of deserved champions. Glenn Hoddle, manager of Chelsea, the plucky southern underdogs, may even offer us a precious glimpse of his graceful talents. On the other hand the spectacle may be undermined, yet again, by the weaknesses of the two teams: United's are in their heads, Chelsea's in their feet.

United, an almost-great team, are also a team of many paradoxes. Chelsea, being a much more limited side, offer just one: the contradiction between the style of Hoddle the player, and of Hoddle the manager.

In the league this season, United did not show the weakness under pressure that destroyed them two years ago. When Blackburn closed in, United raised their game. Paul Ince plucked draws from defeats with late equalisers against West Ham and, crucially, against Blackburn.

United showed the same resilience against lowly Oldham last month. But before that, they had been outplayed for an hour and three-quarters.

United have been below their best in other big cup matches: they lost the Coca Cola cup final 3-1 at Wembley to Aston Villa; they threw away a three-goal lead against Galatasaray in the European Cup and, saving their worst performance of the season for their most important match, were gutless and witless in the away leg.

This is the second United paradox. This afternoon's team stands on the verge of greatness and on the verge of break-up. The regular first team contains seven non-English players. They cannot all play in European Cup games. So manager Alex Ferguson must contemplate changes.

One player at risk is Mark Hughes, an old favourite but thirtysomething and a Welshman. He may find himself displaced by an English goal scorer because United's tally of 80 Premier League goals represents a poor return for the pace, imagination and variety of its attacking play.

Over the last two seasons, Ferguson has been prepared to loosen his control over the team and pick more unpredictable attacking players. The tough, diligent Brian McClair has been replaced by the rough but delicate Eric Cantona; Andrei Kanchelskis and Ryan Giggs – out and out wingers – play every week, replacing safer options such as Mike Phelan, Mal Donaghy, Clayton Blackmore even Lee Sharpe.

Giggs still has games where his brain seems to be in neutral; and Cantona, who seems to be sent off every time United play in black, is wanted for questioning by the FA. But United have survived his suspensions because of Ferguson's careful and costly policy of stockpiling reserve players, many of them hardly needed because the team escaped serious injuries this season.

Chelsea have not been so lucky: striker Mark Stein only returned last week, but scored twice; and Hoddle has been nursing injuries all season. He will probably only pick himself as substitute.

Tough guy: Glenn Hoddle, the Chelsea manager

The difference between the style of Hoddle the player and Hoddle the manager causes much confusion: Hoddle the player was elegant and imaginative – his team, for the most part, is neither.

There is a misconception in British football that toughness means running around kicking people. For that reason Hoddle, an inept tackler, was accused of a lack of toughness. Yet every time he played, Hoddle knew the "tough" men would kick him – but he still played his way: holding the ball in midfield, creating a little time and a little space until the right pass was available. That required real toughness.

Hoddle's team reflects the tough and practical side of his nature. He has made the most of his resources, and his team is hard-working and well-drilled. Its greatest strength is in defence. Hoddle has bought Gavin Peacock and Mark Stein – a panic buy but the right panic buy. But he has also sold skilful players. He received a good price for the ageing Andy Townsend, but parted with two younger talents: Graham Stuart to Everton and Ian Pearce for a knock-down £300,000 to Blackburn.

Both had a reputation for unpredictability. Perhaps Hoddle did not feel Chelsea could afford that yet. He will be happy today if his team repeats the pattern of this season' two league games against United: brave, resourceful defence, a goal from Peacock and a 1-0 win.

If Wembley is treated to a repeat of the first of those two league games, when United played with verve and flair, and Chelsea defended with passion, it will be a great afternoon. If the two teams reproduce their second meeting, when sullen United were stifled comfortably by Chelsea's defensive approach, the fans will have time to reflect on how hard and cramped Wembley's seating is.

Motoring

Car for a soft day

Stuart Marshall tests the Saab 900 convertible in the Irish rain

The Irishman and I looked out at the Atlantic rollers breaking on a rocky beach. "Sure, 'tis a nice soft day," he said. I knew what he meant. It was fine rain, but it would have soaked through a shirt and sweater in about two minutes. Yet, the wipers of the Saab 900 convertible on slow setting easily kept the screen clear.

Many might have thought that Ireland, where all those soggy Atlantic fronts first hit land, was an odd place to hold the international press launch of a convertible. I would not disagree. But there was method in the sensible Swedes' apparent madness.

The 900 convertible is not one of those fair-weather soft-tops. The hood is thick and triple-layered, with a proper glass back window incorporating defroster elements. And all you have to do to turn a virtual saloon into a completely open car is release two clips and press a button. Then, with a whirring of electric motors, the hood folds behind the back seats and disappears under a hard panel, flush with the body top.

Lowering it takes about 25 seconds. Irish weather being what it is, I was relieved to discover it went up again just as quickly. The 900 convertible really is a car to use confidently when the forecast is bright periods and frequent showers, heavy at times.

There is a choice of three multi-valve engines: a 150 horsepower, 2.3-litre; 185hp, two-litre turbo; and 170hp, 2.5-litre V6. Five-speed manual transmission is standard. A four-speed automatic is a £995 optional extra on the 2.3i and 2.5 V6, but not the 2.0-litre turbo.

Compared with the three-door 900 hard-top coupé, of which more in a moment, the convertible has slightly softer suspension. The ride was excellent on the nearest thing to a motorway you can find in south-west Ireland. But on the rough switchbacks that pass for country roads, it was not difficult to make the V6 automatic's front suspension touch the bump stops.

To be fair, I was driving it much harder than a typical owner would and the manual gearbox 2.3i and two-litre turbo – lighter at the front end than the two-pedal V6 – were less inclined to use up their suspension travel.

Saab has gone to great lengths to make the convertible body as rigid as possible; it is 70 per cent stiffer in torsion than the previous one, itself a standard-setter for freedom from shake.

It would be too much to expect the 900 convertible to be as rock-solid as a 900 hard-top coupé, but it was only when driving on the roughest stretches that I felt a suspicion of sideways movement through the steering column. (As a passenger, it was not noticeable.)

At moderate speeds, there is little noise or wind buffeting with the hood down and side windows up – not much more when all four side windows are retracted by the single touch of a button. Full-sized people can sit comfortably in the rear seats and the boot is of practical size, with an opening like a cat flap in the back seat allowing skis to be carried.

Seats are leather-trimmed. The driver's air bag is standard and the front passenger's an optional extra, although both have belts that pre-tension on impact. The front screen pillars – stout enough to support the car's weight – inevitably are a bit awkward to see round. And, like those of all soft-tops, the 900's hood does create a small blind spot in the rear quarter.

Unquestionably, the most joyous one to drive is the two-litre turbo. Saab says it is good for 143mph (230kph). Much more importantly, it is by far the quickest from 40-60mph in fourth gear and 50-75mph (80-120kph) in fifth.

Safe, rapid pick-up, not tyre-smoking standing starts, is what matters in the real world although, for the record, the turbo's 0-60mph (0-96kph) time is an impressive eight seconds. At fairly low revolutions, the turbo produced enough torque (pulling power at a given engine speed) to amble gently through villages in fourth or fifth gears. Given its head on the open road, the twin balance shafts kept the engine as smooth as a six at high revolutions.

The 2.5 V6's performance is quite close to the turbo's, while that of the less powerful 2.3i is more than adequate for most 900 convertible buyers.

The firmer suspension of the coupé might have made for a joggly ride on Ireland's crumbling byways but, on the smooth roads of Italy, the hard-top was a delight. "You will," said Saab's veteran rally ace, Erik Carlsson, as I set off that morning, "find our new 900 coupé is a real Saab."

Prices will be £23,995 for the 2.3i, £27,895 (2.5 V6) and £27,995 (two-litre turbo) when they reach British showrooms next month.

Doctor, about my eritrichium...

***Robin Lane Fox** seeks advice on plants from Jack Elliott, one of Britain's most revered gardeners*

When the spring winds were still cold, I stood in the gardens of Dr Jack Elliott, one of our greatest plantsmen, and asked him how a keen gardener could become a better gardener.

Elliott ought to know. For years, he tended one of the best collections of rare bulbs in Britain. He has grown more rare alpines beautifully than you or I have killed in the past 10 years. He has a sky-blue Tropaeolum azureum in flower in his cold greenhouse and a Magnolia proctoriana in the main garden. He has judged the finer points of hardy plants in national shows and presided over their great societies.

If I was an eritrichium, I would grow for him – and not just because most of his professional career was spent as a GP, most recently in Ashford, Kent. The Elliott view is many sided but the main advice for self-improvement is clear: join a specialist national society and buy a load of grit. In pots topped with grit, you can then grow the rarities which the societies send you from their seed lists.

His advice is my advice, except that he has been better at living up to it. On two Sundays in the year, he opens the gardens at Coldham, Little Chart, near Ashford, and each time those in the know descend on his plant stall and clear the better things out soon after opening time at 2pm.

Everything is grown in a proper garden compost: the M20 may be a long road but where else do you go to buy the latest hardy Diascias, properly-rooted Haberleas, the new blue veronica from the Caucasus, and things such as Verbascum creticum, which ought to be yellow-flowered but which I have never even seen?

The next Sunday opening is July 3 and word is getting around: Coldham is within striking distance of the Channel ports and within the fall-out zone of the new Channel rail link. Since mid-April, coach-loads of French visitors have been tripping across to nearby Sissinghurst, pre-booked and undaunted, therefore, by the changeable weather. There have even been one or two French at Coldham, including a visitor keen enough to ask for the blue Tropaeolum.

As a past president, Elliott recommends membership of the Hardy Plant Society at Little Orchard, Great Comberton, Pershore, Worcestershire. Like the Alpine Garden Society, it issues superb plant lists and helps to raise your ideas of the possible. In my own garden, I realise how I owe to these societies my particular plants of the month, the cream-yellow broom Cytisus kewensis and the curious yellow and black-flowered Prophet Flower, or Arnebia.

Easy plants of this type come to your notice through other experts' writings but will seldom turn up in the local garden centre. The tactic of society membership and seed-raising is particularly well suited to small gardens where the baseline can be made up of specially-chosen small hardy plants and then given height with an upper layer of tall shrubs, small shrubs and climbers on both.

It is far easier to design an original and lasting garden by this route of self-improvement rather than by following a colour-chart of a book and its advice on siting a barbecue and planting the spreading green Prunus Otto Luykens.

How do you raise new seeds when you are sent them? You sow them in a light mixture of peat, perlite and sharp grit: you surface them with about ½in of grit and when you transplant them, you move them into a more solid compost with yet more grit. Like most experts of his generation, Elliott remains a convinced gritter, ordering finely-crushed grit from a builders' merchant and then surfacing each pot of seedlings and each of his raised beds.

I failed his test for experts, of course. Coldham's gardens have odd forms of almost anything between the tennis court and the pleasing design of occasional beds. Near the house, the climate is vastly kinder than mine and I excuse myself from joining the long list of know-alls who have failed to diagnose a rather spiky shrub with dark leaves as a Pittosporum anomalum. But I did notice tips which we can hunt up in our books: the pale yellow Anemone seemanii, which is 3in high but nonetheless lights up an entire flower bed with its flowers, or the use of white perennial Cardamines against shaded walls where we might think of nothing but Hellebores. They are easy and handsomely leaved and are a treat for spring.

What is life like, I wondered, if you are slave to thousands of pots, custodian of a unique yellow paeony and a grower of rarities such as Parrya or pink double Anemonella?

You need the neat temperament and the patience, both of which I have noticed in gardening doctors or dentists, perhaps because they have to be methodical and meticulous. It also helps to have a friendly climate, a deep soil and an expert neighbour.

Elliott, now in his 60s, remarks on his debt to the great plant collector, Paul Furze, who lived nearby and brought him seed from bulbs found on his many expeditions to Turkey and the Middle East.

Eventually, disease attacked even the doctor's fritillaries: "Botrytis hit the frits," as he puts it. He then concentrated on his other strong suit, alpines and small hardy plants.

Sometimes, I think my garden looks like a mortuary, at other times a hospital, not just because the beds are filled with vegetables. Perhaps if I was a real doctor, too, they would look like an exemplary waiting-room in which everything looked pleased and healthy and growing up in gratitude.

Where Rockefeller found culture

***Paula Deitz** visits a garden where new American money met, and fell for, old European traditions of landscaping and architecture*

Last week, as the New York Waterway ferry boat eased away from the Manhattan dock into the Hudson River, the captain called out that there was a fair wind and slack water. This meant a smooth cruise up the river between tides to Tarrytown, New York, an auspicious beginning to an important house and garden event: Kykuit, the country villa that was home to three generations of the Rockefeller family was welcoming visitors for the first time. Perhaps not since Mount Vernon, George Washington's mansion in Virginia, was opened to the public has there been such a stir and excitement among those interested in historic houses and gardens.

Far from being the ostentatious display of a style called "robber baron architecture", Kykuit (the Dutch for "lookout") was essentially a home for a family that remained as modest as it was wealthy.

The house sits 500ft above the Hudson at the highest point in Westchester County. It is 30 miles north of Manhattan in the middle of the Rockefeller estate at Pocantico Hills. The house and gardens were constructed between 1906 and 1913 to take advantage of the spectacular and uninterrupted views of the Hudson Valley and the river that runs through it.

Although John D Rockefeller bought the land and contracted to build the house, it was the constant advice of his son, Junior, that turned the project from a simple country cottage into the important residence Junior believed his father deserved.

The Rockefeller name is associated with good architecture and conservation causes that have resulted in saving land both in the US, particularly the cliffs along the Hudson, and in the Caribbean. The family has preserved the Abby Aldrich Rockefeller Garden in Maine, designed for Junior's wife in the 1920s by Edith Wharton's niece, Beatrix Jones Farrand, the garden designer.

Kykuit is interesting as a study of how Rockefeller father and son, two men accustomed to the simple life of the mid-west, began to develop an interest in the cultivated European tradition that links the house with its special landscape.

The architect is recorded as Delano & Aldrich, but the vision behind the Palladian design of the house and the terraced gardens was provided by William Welles Bosworth, an architect who excelled in the beaux arts style that combined Italian, French and English traditions.

Bosworth began his professional life in the office of park designer Frederick Law Olmsted and continued his studies at the Ecole des Beaux-Arts in Paris before beginning work at Kykuit where he laid out the gardens. The villa appears to have been modelled to conform with his garden design rather than the other way around.

Wharton's book, *Italian Villas and Their Gardens*, with romantic illustrations by Maxfield Parrish, was published in 1904. For the next few years their ideas were in the air. The figure surmounting the largest fountain in Kykuit's forecourt is of the god Oceanus, after the one by Giambologna in the Boboli gardens in Florence. This fountain is the source for the water features throughout the garden, all of which are in perfect working condition.

As a compendium of garden design history nothing has been left out. There is a grotto in the style of Hubert Robert's at Versailles. The landscape is in the tradition of William Kent. Olana, the home which painter Frederic Church built further up the Hudson to offer the best river view, is also an inspiration.

Where the garden is formal, as in the walk of clipped limes leading to a Temple of Venus, it has all the crispness of the best ordered green garden. This allée forms one side of an enclosed garden. At a right angle is a Moorish that terminates at the Tea House, a small pavilion of rusticated stone decorated in an ancient Roman style. Bordering the rill on either side are rows of topiary cones inspired by those in the park at Sceaux.

Below this terrace on one side is the brook garden through which flows a serpentine stream with columbine, iris and pansies along the rocky banks.

On the river side, the series of levels begins with an orange tree terrace with an ironwork balustrade of grapevines. This was crafted by Tiffany to Bosworth's designs, as were the lanterns and other decorative metalwork in the gardens.

The swimming pool terrace below is one large oval pool with a pebble floor and spillways on either side spanned by stone bridges covered with clematis vines. North of the house is a wisteria pergola and a semi-circular rose garden punctuated by columnar junipers.

Where the terraces end the rolling countryside begins. Each generation of Rockefellers left its mark. The most recent addition to the gardens is the collection of modern sculptures placed within the outdoor rooms by Nelson Rockefeller, the former vice president of the US.

Because many of these works are from the 1950s, this collection already has a period look, but few sights are more arresting than Aristide Maillol's crouching sculpture "Night" by the hedge that divides the garden from the long expanses of green.

On Nelson Rockefeller's death in 1979, the house and garden were left to the National Trust for Historic Preservation. The Rockefeller Brothers Fund maintains Kykuit, which has also become a conference centre, thanks to a splendid renovation of its Coach Barn by the architect Herbert S. Newman.

■ *Public visits to Kykuit are being managed by Historic Hudson Valley. For reservations and advice on how to travel to Kykuit call 914-631 9491. Admission: $18 (£12.30); children and old people $16; by boat, $50. Closed Tuesdays.*

In her article on magnolias in the Weekend FT of April 23, Patricia Morison referred to Packard's Smetterling. The correct name of the variety is Picard's Schmetterling.

Water features at Kykuit: as a compendium of garden design history nothing has been left out

Fishing/Michael Wigan

When the French grayling rise

In an out-of-season camping ground two men sat under the roof of a closed dance floor in a downpour. A table was spread and products of the region were arrayed; meats, cheeses, wine – *le picnic*: a big part of the French fishing experience. In front of us, through dripping walnut trees, sped the river, a coffee-coloured flood, carrying autumn's first leaves. The Dordogne river was, as it frequently is, a torrent.

It is a happy moment when the rain stops. Through the lightening cloud came the glimmering sun. And as the air warmed, they appeared, white, black, and yellow, from the luxuriantly-vegetated valley, insects for fish to feed on.

In unpropitious conditions we resorted to what the French call "combing the water", and the English "fishing down the pool".

The usual French method on the Dordogne is to spot rising fish and then cast to them. Our intended quarry was the grayling, a little-understood member of the trout/salmon family, which has a high and colourful dorsal fin. A grayling must rise a few times in the same place to interest Beber, my fishing guide. He is a Deep Nature man.

From the larvae on the bottom of the stones he can tell the health of the water. The shadows falling through the trees give him pleasure. The strange strands of white mist carrying cool air down the opposite bank stir echoes of his childhood, spent on this self-same river. Fishing for him is not an extraction process: it is a rustic ritual in which the emotions must be thrilled to the right pitch if the catch is to be pleasurable.

The grayling feeds actively in spring when fly-life emerges, and again in September, October and November to replenish the reserves for winter. Its season coincides with the times on the Dordogne when fishing is possible because the canoeists have gone home – and most attractive, because the vacated landscape is itself again. As trout fishing ends, grayling begins.

After the canoeists have gone home: The Dordogne offers glorious scenery and fishing — Adams Picture Library

Grayling country is appealing. The Dordogne near Argentat runs through oak-wood valleys. In Britain we fight to conserve our few surviving native woodlands: in France there are hills of uninterrupted natural woodland.

In the valley-bottom, walnut orchards line the bank, mixed with small fields of maize, and sunflowers. Velvety-brown Limousin cattle crop rich grass. Tight building control has kept intact a homogenous native architecture that is centuries old. Stone-slab roofs with steep pitches crown fairy-tale houses with peep-hole windows. Big buildings never look big, their grey towers and high walls protruding like outcrops of rock.

The rivers carry gudgeon, pike, perch and rudd. Eels and crayfish are present too.

This great biomass of fish in the greenish-black river is vigorously depleted by many comers. A French fishing licence entitles you to an immeasurable mileage of fishing water for a pittance. In the Correze alone there is 5,000km of public angling water.

Poaching practices are almost as numerous and complex as the regulations specifying methods and keep-sizes for different species in different regions. They include the deployment of poisonous washing-up liquid (bottles of it litter the bushes) used to kill little fish in the feeder-streams. Even the fish-filled field-drains are attacked after rain. As fast as these practitioners remove the fish, farmed replacements are tipped in. In the Correze alone 10 tonnes of large trout are introduced each year, and 600,000 small pike. Grayling are still mostly wild.

To purists like Beber it is all haywire. Money spent breeding fish for anglers could be saved if the Dordogne's multifarious fishery was properly controlled. For example, if grayling were protected during their breeding season. But French fisheries are left to run themselves: the departments (regions) in central France maintain a force of only around seven fishery inspectors each. This under-muscled team spends much of its time as far from river-banks as possible, for example in the safety of the hatchery.

The Correze is glorious country, from the plateau of which a huge landscape unfolds. The castles and changeless scenery give it a strangely medieval feeling. As I freed a golden dace twiddling on my line, an osprey flapped in fixed position over the water up-river and a kingfisher darted along under the opposite bank.

In rural France, tolling church bells emphasise the quietness of the land. Under the trees across the way a very old man was slowly assembling his tackle. I felt part of deeply-ingrained customs on time-worn soil.

■ *Information: self-catering accommodation to suit all pockets can be arranged through: French Affair, 5/7 Humbolt Rd, London W6 8QH. Tel: 071-385 8438.*

FT Round the World Ski Expedition

Snow poses a threat

***Arnie Wilson** on the hazards of skiing in the Himalayas*

The Himalayas, potentially the greatest ski area in the world, almost wrecked our plans to ski every day of 1994.

Since arriving in India, we have been forced to scramble over rocks and avalanche debris in search of skiable terrain, to follow snowploughs along roads and ski on snow bridges across streams swollen into torrents by melting snow.

Merely getting this far was stressful enough: our connecting flight from Delhi to Bhuntar, in the foothills, was almost four hours late. Then we discovered that the Rohtang Pass – where we were scheduled to ski – was hopelessly blocked for the last 25kms after heavy unseasonal snow.

Driving into the mountains, still two hours from any snow, we heard an ominous bump-bump-bump from a back wheel. A flat tyre at almost 3pm – time was running out. My companion, Lucy Dicker, and I, both felt a sinking feeling: after skiing for 124 consecutive days would this be the day we failed?

At least our driver was carrying a spare, albeit quite bald. For the remainder of the journey into the Kullu Valley – the Valley of the Gods – he kept glancing anxiously at the replacement to make sure it was still with us.

At last we entered Manali – "the Queen of the Hill Stations" – consisting almost entirely of hotels, the only function of which is to cater for hordes of trekkers and tourists: the trekkers to trek, and the tourists, especially those from the rest of India, to escape from the heat and dust of the big cities such as Bombay and Madras into the cool mountain air, perhaps to frolic in the melting patches of snow.

Entire families had rented red wellington boots, fur coats and gloves from shacks along the route, and sometimes skis and boots as well, to make a turn or two or simply pose for photographs. Everyone from grandmother down took delight in simply scrambling up the banks of snow and slithering down again.

But Lucy and I needed something a little more ambitious. We had to take to the roads.

In spite of many hairpin bends and precipitous drops, Indian drivers treat the narrow mountain pass to the Rohtang skiing area like a main street in Delhi, sounding their horns at every opportunity.

Still short of our intended destination, we were forced to stop – we needed an army permit to travel further. But in the absence of the slightly sullen Major Randhawa, all we could do was to find the longest section of linked snow patches, self-consciously snap on our skis, and set off. We managed just under half a mile – not much, but at least we had skied in India the day after skiing in France.

High above the army checkpoint, two huge snowploughs were trundling along the pass towards Rohtang; a third was being repaired by mechanics. For the next few days we went in search of new terrain, driving as far as we could behind the snowploughs as they inched towards Rohtang.

In our search we ran the gauntlet of snowslides and rockfalls and in one particularly hair-rasing section of the route – a series of a dozen zig-zagging hairpin bends – huge blocks of snow and rock would suddenly appear.

The skiing was dangerous and inelegant: Lucy dislodged a rock and slithered 10 yards down a gulley before I managed to disentangle her. The rock then fell on me.

The next day I fell through a snow bridge but my skis stopped me falling into the stream below. I was struggling to climb back to the road when an oily hand reached out to haul me over the parapet. It was one of the snowplough repair men. And on our last day in India, we skied in monsoon conditions.

In spite of the extraordinary kindness shown by our hosts, who resuscitated us like ringside assistants between rounds in a boxing match, we shall never forget the perils of the Rohtang Pass.

After the Valley of the Gods, night skiing in Tokyo's new Ski Dome was going to be an absolute doddle.

■ *Travel arrangements were made by the Indian Tourist Office in London and Span Tours 'n' Travel, 36 Janpath, Delhi.*

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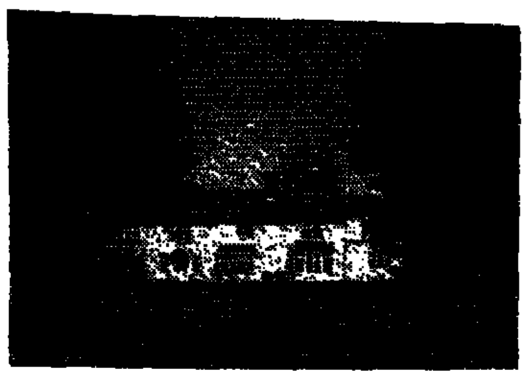

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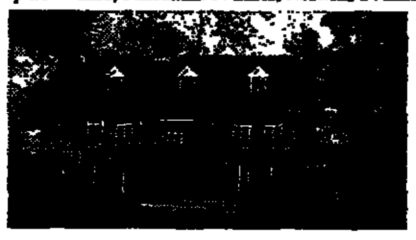

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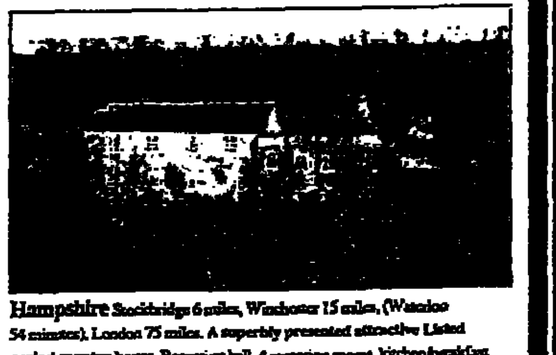

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PROPERTY

Cadogan's Place

Squire Heseltine slated for appeal

Michael Heseltine, the Trade and Industry Secretary and squire of Thenford, Northamptonshire, has appealed against the refusal of South Northamptonshire council to let him thatch Manor Cottage at Thenford with Norfolk reed and install sealed double-glazing units. The building is listed, and the case will now go to a Department of the Environment inspector in Bristol.

The council refused because the reed was not the typical thatch of the region and the windows were not appropriate to an old listed building. It ruled both elements would change the look of the village as well as the cottage, and would be a precedent for similar changes elsewhere. The traditional local product is wispy, long straw.

The cottage has slates which probably replaced the original thatch in the last century. After the refusal *(Weekend FT, March 19/20)*, Heseltine applied again to make alterations using slates. The council has allowed that, which enables Heseltine to start work. But it looks as though he still hankers for thatch, on his terms.

The appeal will probably take three to four months. That is the fast-track procedure, when the inspector views the property and both sides make written submissions, but there is no public inquiry. I shall keep you posted.

■ If you are selling a farm with cottages, think twice about dividing it into lots, says Nicholas Leeming of Humberts. Following the last Budget, you might lose a large part of any gain to the Inland Revenue.

The complication arises from the disparity between what has happened since March 31 1982 (the base date for long-held capital items for CGT purposes), to land prices, which have hardly risen, and to the prices of homes, which have doubled – or more.

If the farm/estate is sold as a whole, the indexed loss on the land (which probably increases its base value by 80 per cent) can offset the gains on any cottages, with the result that there is likely to be little or no CGT liability.

If the holding is divided, each lot is assessed separately, so that CGT on cottages (one lot) cannot be offset by any indexed loss on the land (another lot). The Budget allowed indexation only for diminishing or extinguishing a gain, not for creating a loss.

An amendment modifies this new ruling for 1993/94 and 1994/95 and allows £10,000 of indexable losses for private persons which can be carried forward from 1993/94 to 1994/95, or used in 1994/95 alone.

Even with this concession, sellers of farms will probably find it advantageous to sell the property as a whole rather than in lots where the indexed loss on the land exceeds £10,000. Buyers should keep in mind that there is normally a discount for buying the whole.

■ Two ritzy houses in London are for sale at about £5m. No 47 Rutland Gate, SW7 is set at £4.95m freehold through De Groot Collis (071-235 8090). It is a beautifully restored end-of-terrace house with views north along the square and, from the upper floors, past the Brompton Oratory to Battersea power station, Westminster Cathedral and Crystal Palace. I admired the joinery especially.

No 1 Cumberland Place, NW1, on the east side of Regent's Park, costs £5.85m for a 72-year lease from the Crown. It is also an end-of-terrace house but this terrace, designed by John Nash, has only four houses which look from the outside as if they form one exceptionally grand house. From De Groot Collis or Lassmans (071-499 3434).

Gerald Cadogan

Tax farming: an old crop is revived

Gerald Cadogan finds that the price of the rich soil of England is rising

Last year was one of the cheeriest for farmers for a long time. They made profits. How 1994 will be, it is too early to judge as little has happened down on the farm except lambing. In the short-term, prospects look good. But it is not clear what the effect will be of the European Union review of its Common Agricultural Policy in 1996. UK land prices have risen, but, even though insurance companies and pension funds have been disinvesting for several years, the market echoes the groan from the residential market: "There is not enough for sale."

The turnaround came with Black Monday in September 1992. As the pound fell against the European Currency Unit, CAP payments to farmers rose by around 20 per cent. Helped by lower interest rates on overdrafts, farming swung into profit.

The other development was the change in 1992 in inheritance tax. Under certain circumstances agricultural land qualifies for 100 per cent relief where before the ceiling was 50 per cent.

These changes govern the market. The green Ecu, which is what CAP support prices are set in, is worth about 92p. In August 1992, when land prices were at their lowest, it was 80p and its peak since Britain left the exchange rate mechanism of the European Monetary System was 98p. The typical price for bare land (meaning free of houses, cottages and other buildings) in the south of England peaked at around £2,000 an acre in the late 1980s, fell to £1,000, and has recovered to around £1,250 with considerable variations. (At such a price, a yield of 6-7 per cent is quite feasible.)

Near Grimsby in Humberside, Walter's recently sold 450 acres in lots, some for 25 per cent above the guide price of £1,500. Andrew Macpherson of Clegg Kennedy Drew reports bare land going for around £1,600 an acre in the sale of the Exton Grange estate in Lincolnshire which is currently being agreed. The land figure is "at least 20 per cent higher than we would have achieved 12 months previously".

Many of the buyers are neighbouring farmers who want to increase their acreage to take best advantage of the CAP payments. Some, says Rupert Bradstock, of buying agent Property Vision, are charitable trusts, attracted by the yield and the security. In effect, they are following the ancient pattern of the Oxford and Cambridge colleges, who have disinvested far less than the insurance companies and other financial institutions.

Jim Ward, of Savills Agricultural Research, estimates that those institutions released about 50,000 acres in 1993 (as in 1992) and that their holdings have shrunk from a peak of 500,000 acres to about 200,000.

Eagle Star is selling the Dunley estate in north Hampshire between Winchester and Newbury. The estate is 2,136 acres and includes 1,600 acres of arable land and a first-class pheasant shoot. The guide price from Strutt & Parker and Smiths Gore is £3.5m for the whole. Interest is "staggering", says James Laing of Strutt & Parker.

Also in Hampshire, Hays Farms (Hursley) is for sale. This subsidiary of Hays plc has a company tenancy of 5,500 acres and 34 dwellings from property company St Martin's. Savills must receive tenders by May 31.

Foreign buyers, with the exception of some Danes and Dutch eager to farm in the UK, look for sporting estates. British buyers now include the rich eager to take advantage of the new inheritance tax rules. Sell a house in the English home counties, says Christopher Wilson of buying agent Wilson & Wilson, and put the proceeds into a farm with vacant possession. Work it for two years, perhaps by contracting out, and IHT will vanish. His firm and accountants Grant Thornton have formed a "City landowners service" to handle this sort of work.

To qualify for the IHT exemption, you must be using the land to make a profit. That could include a sporting estate, as long it is not just for the owner's recreation, says Bradstock. But the value of the house and the value of the land must balance so that the Revenue will not regard the farming as just a ploy to escape IHT. Bradstock suggests 500 acres as a minimum. Laing fears that some owners – or their heirs – may receive a shock when the large house is refused exemption.

Rural ideal: the Manor Farmhouse, Ripe, East Sussex was recently sold by Strutt & Parker in Lewes for more than the guide price of £500,000

The law's emphasis on proper husbandry mirrors best farming practice. There is no point going into farming, unless you are committed. It is often frustrating, which is why farmers are traditionally moaners. And it needs time and capital. That is why most farmers want to pass the business on to their children.

A successful recent sale was Jays Farm at Roundhurst, a smallholding of 162 acres near Haslemere in Surrey, which Hamptons Messenger May sold at auction for £433,500.

At the beginning of the year Count Christoph Grots and German investors put together an estate in east Norfolk that had been split more than 100 years ago. Deciding to buy the 2,090 acre Burnley Hall estate (which includes 580 acres of Grade 1 silt land), they asked Royal Life about adding the adjacent 930 acre (all Grade I silt) Winterton and Somerton estate. The total bill was nearly £6m for some of the best land in the country (Grade I Silt land in Norfolk is about £2,250 an acre) which also has the first wind farm in East Anglia. Brown & Co was selling agent for both estates.

An estate in east Norfolk, on the market for the first time since 1640, (when the Preston family bought it) is Beeston Hall with 570 acres and pheasant and duck shooting. No footpaths or rights of way cross the estate. The house is Georgian Gothic. This attractive morsel is priced at £1.5m from Francis Hornor or Knight Frank & Rutley.

In south Humberside, Savills is selling the 1834-acre Worlaby estate, with its Georgian house and a 16,000-bird poultry unit, for about £3m. The sale of Tonge's Farm in Lincolnshire will be a good test of the market, Robert Hindle of agent Walter's says. It is the first commercial farm for sale in the area for some time, and has 3.5m tonnes of sand and gravel to offer as well as the arable land. He has already sent out more than 600 sets of particulars. The guide price is £1.29m. Tenders are due on Thursday.

So farms are coming to market, even if some farmers have decided not to sell but pass the farm to the children. Strutt & Parker reports instructions on 34 farms across the country totalling almost 20,000 acres, as against 25 farms and 12,000 acres a year ago. Some buyers are happy to purchase farms with sitting tenants (who are otherwise well placed to buy themselves out). And with less pressure from the banks to sell land to reduce the overdraft, those who do sell are in a strong position.

■ *Bidwells, Cambridge (0223-841 841); Francis Hornor, Norwich (0603-629 871) Grant Thornton, Reading (0734-211 521); Savills (071-499 8644); Knight Frank & Rutley (071-629 8171); Smiths Gore, Winchester (0962-851 203); Strutt & Parker (071-629 7282); Walter's Lincoln (0522-525 454); Wilson & Wilson (071-727 1977).*

TRAVEL

A detour to drive you to distraction

During the 1980s, central Italians living near Autostrada 14 had a sure way of recognising the autumn equinox. Each September, around the 21st, a small silver-grey car streaked south along the Adriatic coast. *"Eccola, il signor Honda Ballada ancora!"* the natives would cry, pausing momentarily from the harvest.

Yes, it was the Andrews expedition. We would be on the way to southern Italy from the Venice film festival and only two things stood between us and our destination. One was night, gathering fast as we reached the frontier between Abruzzo and Puglia. The other was the sinister, looming bulk of the Gargano peninsula.

You have to stop over: but where? Do you turn right into the boring flatlands around Foggia? Or do you clutch the complete works of Mrs Radcliffe and head for the gothic Gargano: a dead cert for any film-maker seeking locations for *The Mysteries Of Udolpho*.

The first time I took the Gargano route proved so memorable that I never gave it up. Picture a giant, rearing carbuncle half-way down Italy's coast. Turning off the autostrada, you go up a gentle rural incline for a few miles before the real roller-coaster starts.

Twisting roads along beetling cliffs; pines yawing and writhing; unidentified animals baying at a Salvator Rosa moon; and ghost-eyed houses teetering on impossible slopes. This may be the most spectacular coastline in all Italy, including its better-known twin, the Amalfi peninsula on the western shore. I loved it so much on my first visit that I spent three nights there, seriously disrupting my hotel booking in Calabria.

The order of towns I stayed in on the Gargano was Peschici, Vieste and Monte Sant' Angelo. The first is a visual knockout. Built as a 10th century anti-Saracen emplacement, its threadwork of streets and domed houses have their own semi-Arabic air, as if one has strayed into a transplanted casbah. Though the coast here is at its wildest, there are good bathing spots, plus caves and ruined watchtowers.

Peschici is heaven. Vieste, moving south-east, is more humdrum but more habitable. The land dives to an accommodating flatness and you can sit at seafront cafés, sipping a Bellini (peach juice with sparkling white wine), as if you were in normal Italy. Good beaches, too.

Even in Vieste there are a couple of treats. The ferry service to the Tremiti islands lets you explore these limpid landdots 40kms off the coast.

The second treat is the wooden *trebucca* in Vieste itself, which stands on the edge of the old town. A large contraption of unthinkable antiquity, this brainstorm of timbers, ropes and pulleys is still used by fisherfolk to catch mullet. Watch them do it; say a few encouraging words; then buy, cook and eat the fish.

My last night was spent in Monte Sant' Angelo and here, I am afraid, all restraint must be thrown to the winds. The coldest night I have ever spent in Italy was also the most exhilarating. Though it sits atop a mountain, as its name suggests, MS'A is less spectacular than Peschici but more real.

Nigel Andrews heads for the hills on the Adriatic coast

Where could one eat, please? Oh, in Signora So-and-So's dining room – she takes in friends and strangers. And there we were after knocking at an unsigned, unnumbered house and being led through the family sitting-room (kids watching TV, baby being fed, grandma doing what looked like the football pools) into the teeny dining-room, where we sat down to sip hot minestrone and quarter a flavoursome fish, surrounded by the cat, the dog and the local priest.

And where could one sleep? Oh, in Signora Such-and-Such's place – she puts up waifs, strays and fugitives. So we froze through a slim-sheeted night in two beds on a stone-flagged floor with a view through the window of star-crowded sky and infinite, quilted, velvet-dark valley.

Time moves on and McDonald's may move into Monte Sant' Angelo any time. Give the town a try before it does.

Of archaeological interest are St Michael's sanctuary, where the saint is said to have made several personal appearances during the 15th century; and the splendid Norman castle with its views over the town and valley. It is not floodlit, so take a torch at night.

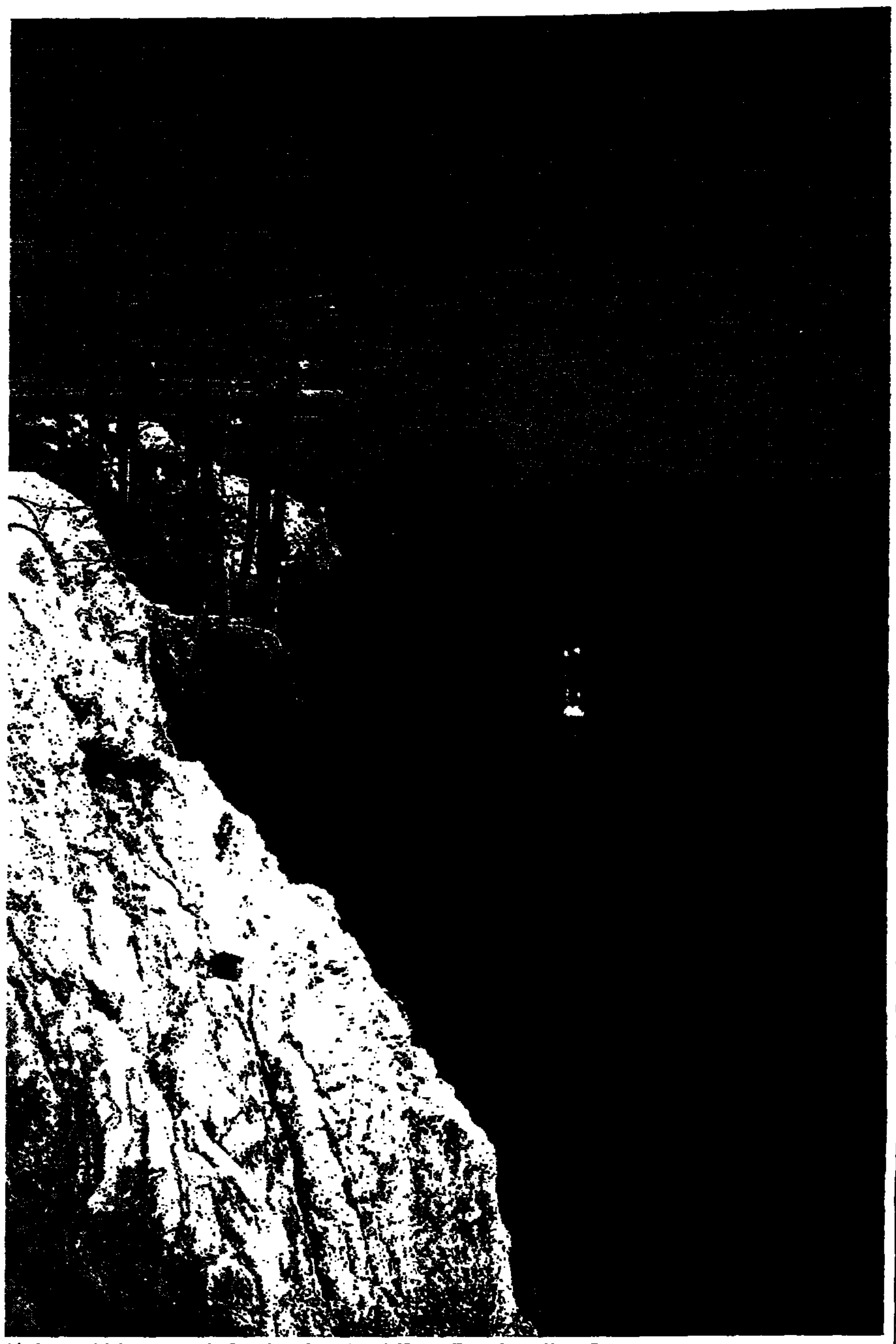
In the middle of the Gargano peninsula is the vast and intermittently picturesque foresta Umbra. Go by car. "Public transport is thin on the ground," says one guidebook, putting things gently. But there are hundreds of roe deer to compensate.

A quick camera-pan round the Gargano may give you a glimpse of other beauty or interest spots. Pugnochiuso (south of Vieste) has an eye-striking coast and good bathing plus a couple of the peninsula's rare resort hotels. Vico Del Gargano (south of Peschici) is a steep, ancient village. Rodi Garganico (west of Peschici) has fine sandy beaches. And San Giovanni Rotondo and San Marco in Lamis are two saints' towns further inland that stand sentinel between the foresta Umbra and the autostrada.

Much of Gargano, it must be said, is ill-equipped for mass visitation, and some of the cheaper out-of-town hotels are built in the hope-and-prayer style of much southern Italian development.

But when love is semi-blind even handicaps become part of the beloved's charm. We have not mentioned the people of the Gargano. These have undergone even less touristic development than their towns. They still look at you, as you drive through their streets or along their suicidal coast roads, as if you are mad. Do not attempt to get out of the car and reassure them.

Think, rather, that they are probably right. A degree of madness is a help when making that fateful motorway decision to leave dull flatness and head for these frightening heights. I found that the people, once a natural rapport develops, are of the best rough-diamond quality. Yes, they will have you into their homes; yes, you will pay the proper price. But you still feel part of the family, even of the landscape, as their rooms and hearts and wines (try the red Castel Del Monte) and earthy cooking secrets open up before you.



A brainstorm of timbers, ropes and pulleys: the ancient trebucca in Vieste, still used for catching mullet Adams Picture Library

Valetta by knight

It is easy to see why the less youthful British tourist finds Valetta so cosy. English is a second language; post and telephone boxes in scarlet stand sentry at street corners.

But Valetta is not like anywhere in Britain. It remains essentially the handsome, homogenous and devoutly Catholic stone citadel conceived by the Knights of the Order of St John after the great siege of 1565 and built in anticipation of the infidel's next visit.

On paper, Valetta appears a perfect piece of Italian Renaissance military engineering and town planning, a rigid grid of streets and squares girded by massive walls and bastions. A map does not prepare you for the roller-coaster of its streets.

Reminders of the knights are impressed on every street. To them Malta owes its great cathedral, churches, national library and theatre.

Belying the military severity of Valetta's façades are some of the most glorious interiors and works of art in Europe. The Holy Infirmary, begun in 1574, must still boast the grandest – and largest – ward of any hospital.

The Manoel Theatre, built for the "honest recreation of the people" by Grand Master Manoel de Vilhena in 1731 and still in use, is a rococo confection of pale green, turquoise and gilt, the tiered boxes of its intimate oval auditorium garlanded with fruit, flowers and musical instruments.

Open the door to St John's Cathedral, the conventual church, and there is the first complete expression of florid High Baroque. Everything, from the illusionistic painting on the barrel-vaulted ceiling to the arabesques of the side chapels, was masterminded and partly executed by one man, the Calabrian Mattia Preti. There is no surface that he did not cover with paint, gold leaf, marble or carved stone.

There are any number of altarpieces of varying merit – and two remarkable Caravaggios. It is worth going to Malta for these alone. Caravaggio was the "excellent painter" invited to the island and made Brother and Knight of Obedience in 1608. High up in the chapel of the Italian *langue* hangs an impressive St Jerome, while dominating the Oratory of St John is his masterpiece, *The Beheading of St John the Baptist*, his largest and only signed work. This is a canvas to chill the blood.

All the action is compressed into a harshly-lit corner of an otherwise gloomy prison yard. Caravaggio chooses the moment when the executioner, who has already half-severed the Baptist's head, grasps his hair to get a good purchase before finishing his job.

Nothing masks the reality of this brutal death. The goaler impassively directs the executioner to put the head on the charger, held by a young, bare-armed girl who is surely Salomé. Only her maid looks on in horror. Caravaggio left his name in the oozing blood.

By 7pm, Valetta is deserted. There is hardly a soul on the street to appreciate the floodlit fortifications or the church domes spangled with light bulbs. The middle classes are off home to Sliema, and the tourists pursue the nightlife offered along the island's carelessly developed shore.

Valetta evenings are best spent admiring the panorama over Marsamxett harbour from the roof-top dining room of Giannini, the island's best restaurant, or in the 16th century cellars of the Hotel Castille, savouring pizza Maltese-style made with local sausages and the pepper-bound goat's cheese made on Gozo.

By night one must see Mdina. While Valetta is quiet, the old capital of Malta is silent and haughtily aristocratic. Its narrow, angular medieval streets are lined by the blank, excluding walls of still-inhabited palaces and monasteries.

Carved Norman portals and Baroque cornices are thrown into exaggerated relief. Under the wraps of darkness the town is hushed and histrionic. By day, the poetry is lost amid the clatter of the Zimmer frame and the glare of the acrylic cardigan.

Susan Moore

■ *Susan Moore travelled with Air Malta and stayed at the five-star Hotel Phoenicia at Floriana, just outside Valetta's city gate. Civilised long weekenders should bear in mind that tour groups to Malta tend to start their week in Valetta.*

Developers move in on the Black Pearl

They call it the Black Pearl of the Mediterranean. The Romans knew it as Cossyra. To the Phoenicians it was Yrum, the isle of birds. From the highest point of Pantelleria, Montagna Grande, the continents of Europe and Africa are visible 100 miles apart. To the north is Sicily; to the south Tunisia.

Though the island belongs to Italy, Arabic names survive in the villages of Khamma and Bugeber. Bazaars in the main town, also called Pantelleria, sell African jewellery and clothes richly embroidered with tigers and elephants.

This is not package-tour territory – not yet. Last September the EU gave Pantelleria a grant: part of an initiative to promote Mediterranean islands and create employment in tourism and service industries, for mechanisation is reducing the numbers of traditional jobs on the land.

A quarter of the island's 8,000 population works on wine production. The famous one is Passito, a dessert wine similar to Sicily's Marsala. Once picked, the grapes are spread out to sunbathe for three weeks, losing half their water content (Passito means 'past it'). The result is a sweet amber-coloured wine of about 16 per cent alcohol; there are also less potent crisp dry white table wines such as Cossyra.

A second important local industry is growing *capperi*. Capers form the base for many sauces. The piquant flavour goes well with swordfish, mussels, squid and other seafood.

Pantelleria has an area of only 32 square miles. You can sail round it in a day – the best way to view the rocky coastline, sculpted by erosion in places into strange shapes. The Punta dell'Arco promontory is nicknamed *dell'elefante* because it resembles a huge trunk dipping into the sea. Cacti, palms and olive trees, figs and prickly pears all flourish in the sub-tropical climate.

The landscape is dotted with *dammusi*, dwellings built by the Saracens. Arched doorways and passages reflect the lack of building timber on the island, while white-painted cupola roofs serve to collect another rare commodity, water.

Older than the *dammusi* are the *sesi*: remains of neolithic tombs from 5,000 BC built of black cindery rock. The best-preserved examples are at Mursia, south of Pantelleria town.

The people of Pantelleria, the *panteschi*, retain their own dialect: *casteddru*, for example, in place of the Italian *castello*. They concede their capital is not the most beautiful town. Thirty-three days of shelling in the second world war demolished many buildings, which were replaced with the unattractive low-rise flats common elsewhere in suburban Italy. Part of the EU grant is earmarked for improving the town's image and to make safe its centrepiece, the massive Barbacane castle.

Adrian Gardiner fears an island's unspoilt beauty might not last

A recently-installed plaque on the castle wall reminds you that, though you are on a remote island, the politics of Sicily and the mainland are never far away. It commemorates Paolo Borsellino, the Palermo magistrate who, with his bodyguards, was assassinated by the Mafia last July.

Crime is almost unknown on Pantelleria. In a small community everyone knows everyone else, and anyway escape is difficult. There is one little airport and an overnight ferry to Trapani in Sicily.

The island's remoteness helps make it – for now – an upmarket destination. Fashion designer Giorgio Armani has a holiday *dammuso* where he entertains foreign royalty. Well-off Romans and Milanese come in August, many for the cure, for the volcano of Montagna Grande still slumbers. In two dozen places steam wisps out of the rocks; a cave at Sataria is a natural sauna. The only lake, Specchio di Venere (Venus's mirror), is rich in sulphur and potassium. Bathing in it – or, better, rubbing your body with lakeside mud – is claimed to be good for the skin.

Private developers, attracted by the EU's money, are preparing plans for a spa centre. Rudimentary facilities for scuba diving and wind surfing will be upgraded. A dozen lidos – there are no beaches on Pantelleria – are planned round the coast. A yacht marina is scheduled for the main port. Scauri on the south coast has a small harbour, but the weather frequently makes its use difficult (as we discovered, needing three attempts to land).

Improved transport is another priority. It is hoped to introduce a hydrofoil service to Malta, 100 miles east, where the airport is already on the international map and large enough for charter traffic. For accommodation, the island's 1,000 beds will be increased by introducing *agriturismo* in renovated *dammusi*. This form of self-catering has been successful in mainland Italy and is a growth market.

Will all these developments, over the next four or five years, spoil Pantelleria? Go now, and experience the uncommercialised beauty of the Black Pearl. It may all be different in a few years.

■ *Avoid August, the Italians' holiday month. January and February are wet and in late May the sirocco, a hot sticky wind from the Sahara, blows. Sea temperatures stay relatively high to December. Self-catering villas or dammusi are available from about £350 per week, sleeping four. There are only a few hotels, including The Port (inquiries: via Borgo Italia, Pantelleria, TP, Italy, tel: 0923-911257). Half-board is around £300 per person per week.*

Tourist Information: Italian State Tourist Board, 1 Princes Street, London W1R 8AY.

TRAVEL

Kashmir prays for paradise restored

Victoria Schofield visits a valley 'too beautiful for war'

Mine was to be the first entry for 1994 in Gulam Butt's visitors' book. As I wrote my name, he predicted that my stay on his houseboat was a good omen. My last visit to Kashmir, in 1981, was long before the recent troubles started. As the owner of a fleet of eight de luxe houseboats, moored on Upper Pal lake, Butt's story was not unfamiliar.

Since 1990, when activists began an armed struggle against the Indian government, the beautiful valley of Kashmir, with its 1,500 splendid wooden houseboats, has lacked a flow of tourists. Mostly, the houseboats lie empty.

Enjoying breakfast and looking out over the lake towards the snow-capped mountains and the Shalimar gardens, laid out by the Moguls in the 17th century, it was hard to believe that Srinagar was still the focal point of a guerrilla war which had put the entire valley under military occupation.

The Indian army is determined to crush the insurgency. Equally, the militants are as committed to continuing their struggle against what they view as the tyranny of the Indian government. "*Asadi*" (freedom) is on the lips of shop owners, taxi drivers and houseboat owners.

For people such as Butt and the 1,000 other houseboat owners, the loss in livelihood has been tremendous. Shikara owners have also suffered: a paddle-boat ride on Pal lake was once a feature of a Kashmiri holiday. Today the shikaras lie dormant; the lake is thick with weeds.

Hamid, a taxi driver and houseboat owner, is more stoic than some about the deprivations. "We don't care about our economic problems, but we do want independence," he said. Another houseboat owner dared not complain about the loss to his business. "If militants hear me say my business is suffering, they will come to me and say: 'You are worrying about money and we are losing our lives.'"

Yet contrary to what I had heard before my visit, the valley is not closed, either to journalists or tourists. And Robert Shadworth, the tour manager of Top Deck bus tours, has regularly accompanied tourists, mainly from Australia and New Zealand, to Kashmir as part of a three-month bus trip from Nepal to London.

"Except for one year, when the trouble started, we have continued to run tours twice a year," he said, "and we've never had any difficulty. One time, we were sitting on our houseboat and we were told later that 150 people had been killed in the centre of town, but we never heard a thing."

Have prices for accommodation gone down? "Well, they haven't put them up in five years," he said.

Commercial flights run regularly to Srinagar. The airport is full of army personnel. Intelligence officers require all foreigners to report to them, and bags are searched.

But visitors do get through: Stephen Humphrey, an accountant from Birmingham, was relaxing on a houseboat on Pal lake as a way of escaping from the heat and bustle of Delhi. "I didn't know about the place nor its beauty, but a travel agent in Delhi made the suggestion," he said.

Travellers also visit Kashmir to go trekking in the foothills of the Himalayas. A French travel enthusiast, Patrique Hubert, has been in Srinagar for three years, organising accommodation on houseboats and trekking expeditions.

"It is not what we call classical tourism, not your average holiday-maker; the Americans have mainly stayed away, but still people come from Australia, Japan, Germany, France, Italy," he said. "Sometimes they fall in love with the place, which proves that Kashmir still has the ability to attract."

Nor have skiers forgotten the magnificence of the Himalayan mountains. Transport is mostly by helicopter, and an outfit called Himalayan Heli Ski, run by the Swiss skier Sylvain Soudan, has continued to offer a week's holiday in Gulmarg from January to April.

The town of Srinagar has little attraction for the tourist, and the consequences of the insurgency are all too evident. The military is everywhere. There are bunkers at each crossroads and straddling every bridge. The streets are filled with gun-toting border security forces and local police. Without warning, streets can be cordoned off because of a "crackdown" – common parlance for a search by the military for weapons.

Kashmiri pony-handlers. Despite military occupation, Kashmir still attracts hardy tourists — Simon Vail

The curfew in Kashmir has now been lifted, but no one wants to venture out after dark. Hamid, the taxi driver, told me how frequently he had been stopped by the army and beaten up on his way home after work.

There are countless stories of young men being apprehended by the military, tortured and killed. One of the former maharajah's guest houses, which has a magnificent view over the lake, has been taken over by the border security forces and is known to be one of the interrogation centres. Suspected militants are taken there for what an intelligence officer called a "few slaps" to make them reveal where they have hidden their weapons.

People kept saying Kashmir was too beautiful to be torn apart by war. And despite their political troubles, the Kashmiris appear as eager as ever to welcome tourists. "We don't have any other industry. Our main income is from tourist traffic," says Abdul Kotroo, former president of the houseboat owners' association. "And we pray to Almighty God to restore the peace in our valley."

Contrary to rumours that the houseboats are being sold plank by plank, owners are keeping them ready. Gulam Butt's boats were immaculate and he insisted I see his "honeymoon houseboat", ever hopeful that Kashmir would again become, in the words of Emperor Jehangir, "paradise on earth".

Island hopping among the ghosts

Film-goers who have seen *The Piano* will have left the cinema suddenly conscious that New Zealand's history of European settlement must have been more blood than butter. Sailing around the glorious archipelago known as the Bay of Islands, 160 miles north of Auckland, can have the same startling effect.

Having dropped anchor in the lagoon of the small island of Motuaruhia after our first day's sailing, our party was determined to get ashore and take some exercise beyond rope-pulling.

Our goal was the summit of a steep cliff overlooking the island's eastern shore. Once this was a Maori stronghold. With a 200ft drop into the sea on one side and a single track up through the forest on the other, the defending tribe could be virtually impregnable when enemies came visiting.

The views through the outlying islands to the misty Pacific were evocative. It was a crew-member from another visiting yacht that caused the first shiver. She said she had not liked what she had read about the place. Her words damped our dinghy ride back to *Island Girl*, though a G&T lifted the spirits.

Rummaging through a guide to the area, I decided that it could scarcely have been Captain Cook's visit in 1769 that had caused our misgivings. Motuaruhia was Cook's first landfall in New Zealand, and despite a brief skirmish with some Maoris, there was no great trouble between natives and explorers. "Abundant fresh celery," noted Cook's botanist, Joseph Banks, although we saw none.

Peering more closely at the bookshelf in the saloon brought forth a more detailed history. One of the first European settlers in the area was a Scottish farmer named John Roberton. He bought Motuaruhia from a Maori chief in 1839, built a cottage, brought his wife and two children from the mainland and began farming.

Four months later he was drowned, sailing his boat to the mainland outpost of Russell. This small town was New Zealand's first capital and still has its feet in the sea.

Despite having two small children to raise, Roberton's widow struggled on with the farm for two more years. She was aided by a young settler named Thomas Bull and a Maori chief called Maketu. Unfortunately for her, Maketu was mentally unstable and Bull a violent drunkard.

By the time the Maori finally split Bull's head open with a logging axe, life on the island must have become a nightmare. Mrs Roberton told Maketu that he would be taken to Auckland and hanged for his crime – whereupon he carried her and the two children to the dizzy heights of the stronghold and hurled them into the sea.

The widow's prediction came true. Maketu's trial was a colonial sensation that reached the London newspapers. This sense of violent and important history, just a few generations back, is one of the factors that makes the Bay of Islands such an intriguing place to sail.

The sailing is as good as in the Whitsundays or Bahamas, the seas as sparkling. In addition there is a powerful sense of the recent past.

At Opua, where the charter yachts are based, the steam train from the inland town of Kawakawa still visits the jetty where the famous kauri timber, said to make the finest masts in the world, was once loaded.

Keith Wheatley

■ *Among UK companies that can organise yacht hirings in the Bay of Islands is The Moorings: 188 Northdown Road, Cliftonville, Kent CT9 2QN, tel: 0843-227140, fax: 0843-228784.*

A writer driven by prophetic fury

***Anthony Curtis** reviews a new biography of Richard Hughes*

After getting off to a promising start as a young writer with poems, plays, children's stories and the first ever radio drama, Richard Hughes became a celebrity in 1929 with *High Wind in Jamaica*. It was acclaimed by critics on both sides of the Atlantic and by fellow-novelists such as Virginia Woolf and Ford Madox Ford. In this rich biography Richard Graves implies that some of its success was owed to Clough Williams-Ellis's wife Amabel (née Strachey) who told Hughes he must put some sex in it – which he duly did.

Graves quotes a comment Hughes made recalling his next novel *In Hazard*. It appeared after a ten year hiatus during which Hughes did extensive research into storm conditions at sea. It is regularly compared to Conrad's *Typhoon*: "I was carried along in my writing of it by a kind of prophetic fury, seeing so clearly the abyss Europe was about to be sucked down into by war, and wanting to tell people it would be fearful, but they were going to come through."

Publication of *In Hazard* in 1938 brought the first phase of Hughes's career to a close. Aged 40 when war broke out, he was drafted into the Admiralty for the duration. The Welsh writer became the very model of a modern civil servant whose work paved the way for the Normandy landings.

Up to then Hughes had lived his life eschewing any kind of fixed employment apart from writing. After being head boy of Charterhouse, and up at Oxford in the orbit of T.E. Lawrence, Masefield and Robert Graves, uncle of the biographer, Hughes had retired to a primitive cottage in rural Wales to become a writer. But he did not stay there; he travelled dangerously far and wide. The biography admirably draws together the many adventurous threads that went into such a comparatively small body of work.

RICHARD HUGHES: A BIOGRAPHY
by Richard Perceval Graves
Andre Deutsch £20, 491 pages

We follow Hughes going steerage to New York and suffering the indignities of an immigrant's incarceration on Ellis Island. We see him among Croatian nationalists in the Balkans. On the personal level we observe the effect of the deaths of his father and beloved sister; his difficult relations with his possessive mother; his first great affair with Nancy Stallibrass who was to marry his friend Peter Quennell. And then his happy but not untrammelled marriage to Frances Bazley, daughter of a baronet, with whom he raised a large family.

As he matured Hughes became deeply religious, committedly Welsh and a staunch defender of causes in which he believed. He settled happily into the role of "Seigneur" of the North Wales village of Laugharne where he and his wife lived before the war. It was the Hugheses who were responsible for Dylan and Caitlin Thomas descending upon that village and ultimately giving it the tourist attraction status it now has.

Hughes was as bookish as he was out-going. He accumulated a vast library relating to the Nazis and made many post-war visits to Germany for *The Fox* and its sequel *The Wooden Shepherdess*. In these novels the demoniac figure of Hitler is paired with that of a blind German nun modelled in her saintliness on St Theresa of Lisieux and observed by the Welsh aristocrat Augustine, a persona of Hughes himself.

Hughes knew exactly what was to happen in the subsequent narrative but because of his perfectionism the chances of completing the work in further volumes were slim. "It is a race with the undertaker" he joked. He died aged 76 as old as the century having sadly lost that race. Graves's excellent biography, which appears alongside new paperback editions of the novels from Harvill, should herald a revival of interest in what remains a remarkable contribution to the modern English novel.

History in the balance

***Malcolm Rutherford** admires Kissinger the academic*

If you want to pay someone a compliment, give them Henry Kissinger's *Diplomacy*. True, it is immensely long: half way through, I began withdrawing my initial impression that it is one of the best books I have read on any subject. But it picks up again and is certainly one of the best, and most enjoyable, on international relations past and present.

Kissinger has many advantages. He was born in Germany in 1923, moved to the US in 1938 and served in the American army in the second world war. He was an historian at Harvard long before he worked for any American administration. Comparisons between 19th century Europe and the 20th century world come naturally to him. He wrote *A World Restored: Castlereagh, Metternich and the Restoration of Peace, 1812-1822*, some of which is reflected in *Diplomacy*, in the mid-1950s. It was intended as the first of series running up to the first world war.

Real diplomacy then intervened. Kissinger has benefited from the experience. He now takes us to 1994, sometimes with an inside view, and with a look beyond. Moreover, Kissinger, the academic, can write better than Kissinger, the practising statesman, ever spoke. The book is a pleasure to read.

There are also defects. Kissinger is not much interested in social or economic trends: a country's economy is relevant to him only in so far as it adds to political and military power. He is not greatly interested in democracy either, still less in human rights. On the latter he advises President Clinton not to push too hard in America's relations with China; if he does, the Chinese might not take him seriously in his pursuit of equilibrium in Asia.

Again, there is a curiously old-fashioned approach to the "great men" of history. Kissinger has his heroes: Richelieu, Bismarck and, to some extent, the German chancellor Stresemann among them. Even where the bad far outweighs the good, he cannot always avoid a sneaking admiration. For instance, "Stalin was indeed a monster; but in the conduct of international relations, he was the supreme realist – patient, shrewd, and implacable, the Richelieu of his period". Kissinger is not a moralist.

For all his brilliance, neither is he perhaps as good as he thinks he is at reducing his thoughts to a thesis. If *Diplomacy* has a single theme, it is that there is a fundamental distinction between a foreign policy based on the pursuit and maintenance of a balance of power and one based on altruism. Kissinger prefers the former.

His main illustration comes from the presidencies of Theodore Roosevelt and Woodrow Wilson. Roosevelt, he writes, went in for "muscular diplomacy". He was the first US president "to insist that it was America's duty to make its influence felt globally, and to relate America to the world in terms of a concept of national interest". Thus he was a "warrior-statesman" whereas Wilson, with his belief in the power of public opinion as a force for good, was a "prophet-priest". The difference between the categories is that "statesmen, even warriors, focus on the world in which they live; to prophets, the 'real' world is the one they want to bring into being".

DIPLOMACY
by Henry Kissinger
Simon & Schuster £25, 912 pages

Yet one wonders if the real world is anything like tidy enough to sustain such a distinction. Kissinger makes very little allowance for accidents, mistakes or the sheer unexpected (Pearl Harbour, for example).

There is also a tendency to idealise the past. One of the reasons he believes a balance of power was maintained for so long after the Congress of Vienna in 1815 was that the participants had shared values. He is distinctly shaky about saying what those values were, save perhaps a preference for the *status quo*, just as he seldom denies one of his favourite words – "legitimacy". Sometimes he seems to be saying that if only everyone had been as intelligent as Bismarck, the European peace might have lasted even longer. Germany would have simply emerged as the dominant power in Europe without war and, as Kissinger observes, the Germans have got there in the end.

It is not ultimately for the judgments, however, that *Diplomacy* should be read. It is for the sheer historical sweep, the characterisations, the story-telling, the ability to look at large parts of the world as a whole. The failings in British policy between the two world wars, for instance, look quite different when viewed by a dispassionate American historian. Kissinger thinks that it was the reluctance to make alliances that let Britain down, and a failure to understand Stalin. He is also notably sympathetic to Britain and France at Suez. He never makes the mistake of condemning with hindsight.

Kissinger's own role in history emerges very gradually. The first use of the first person comes in shyly on page 347 when he mentions a disagreement with A.J.P. Taylor. Vietnam and the opening to China come much later and are among the best sections in the book. They are not quite autobiographical, but he has a marvellous way of combining past and present experience. Richard Nixon, he thinks, had the most sophisticated grasp of the global balance of power of any president since Theodore Roosevelt.

In the 19th century the US had no need for a balance because it was not confronted by any powers needing to be balanced. The change by the end of the 20th, Kissinger concludes, is that America is "an island off the the shores of the large landmass of Eurasia, whose resources and population far exceed those of the US". That is why a balance, or a series of balances, still matters.

Fiction/**Joan Smith**

Fantasy, fame and fulfilment

Paul Micou's new novel opens with a cosy, John Majorish image of Britain: the white cliffs of Dover fading into sea mist from a cross-Channel ferry. But *Adam's Wish* is about the new Europe rather than the old, visualising England, France, Italy, even the former Yugoslavia, as the playground of a new aristocracy of money and fame with its attendant media circus.

Micou's hero, Adam Gosse, is a slightly stuffy Anglo-Belgian solicitor who strays into this fast-living set more or less by accident when he is best man at a friend's wedding. He is seated next to Natalie, a beautiful young woman who is famous only for being famous. Hello! magazine is never mentioned, but it is clearly the presiding deity of Natalie's milieu.

Because Adam is feeling left out and depressed as all his friends pair off, he agrees to Natalie's surprising request that he chauffeur her to Paris where she is about to embark upon a film career. By acceding to this whim, and with as few achievements as Natalie to justify it, Adam achieves overnight fame as the fiancé of a starlet.

These are lives governed by chance, and by the hysterical interpretations of insignificant events offered by tabloid newspapers. The novel is put together like a movie, with one lavish set rapidly giving way to another: Adam moves from a pretentious French château to a film director's minimalist apartment in Paris to a small Italian town which has been reconstructed to resemble Dubrovnik. It is only when the director announces that he intends to move everyone to a genuine war zone in Croatia that reality intrudes and Adam decides it is time to go home.

Micou's novel is an ambitious satire on the ease of achieving and corrupting effect of fame. Apart from Adam (whose surname, Gosse, means "kid" in French, suggesting both innocence and vunerability), the characters are introduced only by their first names, a device which neatly emphasises their disposability. Yet Micou rarely descends into mere caricature; his writing is assured and often very funny.

The novel is about authenticity and the importance of maintaining some vestige of identity as all barriers come down. Its moral centre is a reluctant self awareness on Adam's part which never permits him to become a full participant in Natalie's frenetic world; his curse is to recognise desires in himself which he despises in others.

The characters in *Pippa Passes* have no such problems. Their names are of the rich and titled variety, so that the Marchese dell'Orlando is able to boast of his English wife that "Marcia's lineage is longer than mine". Rumer Godden's new novel takes its title from Browning and is firmly set in the old Europe in which Italy still represents a gateway to sensuality for the repressed and parochial English.

ADAM'S WISH
by Paul Micou
Bantam £14.99, 251 pages

PIPPA PASSES
by Rumer Godden
Macmillan £12.99, 172 pages

Godden has written for both children and adults in her long writing career and this piece of fiction is, according to her publisher, aimed at "everyone young in spirit". This is actually a nervous way of signalling that *Pippa Passes* is a hybrid, a piece of adolescent wish-fulfillment with a crudely handled lesbian rape scene thrown in.

The spirit hovering over this mawkish tale of a young English girl's meteoric rise from the *corps de ballet* is not so much that of Hello! as Noel Streatfield, creating a sort of *Ballet Shoes* with sex. There could hardly be a greater contrast with Paul Micou's jaded, polyglot pan-Europeans and it is a relief to recognise in Pippa Fane a ghost from the past, receding into the mist as fast and as surely as Dover's white cliffs.

Banishment and resurrection

***J.D.F. Jones** on the life of a brave and talented Victorian woman who flourished in exile*

Lucie Duff Gordon was an unconventional, brave, talented and cosmopolitan woman who lived in mid-Victorian Britain, contracted consumption and, in 1862, left her family to go off to Egypt to die. There was no denying the meaning of her exile, no hope of recovery, yet from her new home in Luxor she survived for seven years – far longer than the doctors had imagined – and in the course of that suspension of sentence she wrote a classic book and achieved a sort of happiness.

Lucie is not unknown to previous biographers. Apart from her own *Letters from Egypt* (which is kept in print by Virago), she is familiar through the unhappy lives of her parents, John and Sarah Austin, who have been commemorated quite recently by Lotte and Joseph Hamburger; in two studies in Victorian social history under the appropriate titles *Troubled Lives* and *Contemplating Adultery*. The father was a neurotic and hopeless professor of jurisprudence, the mother a successful and respected translator who spent her middle years engaged in an unconsummated affair by post with a Polish prince.

Lucie was brought up in the heart of the intellectual society of the age. John Stuart Mill was one of the family, Jeremy Bentham an uncle-figure, Carlyle, Heine and Sydney Smith were intimates, Tennyson, Dickens, Thackeray and Meredith passed through her drawing room. It was an unusual childhood, which included a period of *Jane Eyre*-style misery at boarding school, but at 18, beautiful and accomplished, she made a romantic marriage to Sir Alexander Duff Gordon, an exemplary young Treasury Official whose only fault was that he had no money.

Katherine Frank, her new biographer, does not attempt to exaggerate their importance: "Lucie and Alexander do appear to be 'lesser lives'; they hover on the fringes of the lives of more famous, powerful, wealthy people." But she then quotes their friend Meredith to the effect that "a lesser life does not seem lesser to the person who leads one." This is justification enough for a biography.

LUCIE DUFF GORDON: A PASSAGE TO EGYPT
by Katherine Frank
Hamish Hamilton £17.99, 399 pages

Hulton Deutsch Collection

Lady Lucie Duff Gordon; drawn after W.H. Phillips

Then she fell ill and was banished from the English climate and from her three children. But she fell in love with Egypt, or rather with Upper Egypt where her house on top of Luxor Temple had previously been occupied by Champollion and Flaubert, and she particularly identified with the Temple of Isis at Philae, "the most beautiful object my eyes ever saw". There are echoes here, of course, of *The Wilder Shores of Love*, except that Lucie was no Lady Jane Digby, who married the Sheikh of Palmyra, but a sensitive and gifted woman whose exile was not just to heal her, temporarily, but also to transform her.

Katherine Frank has written *A Passage to Egypt* out of her own personal tragedy of the death of her husband in Cairo. She therefore discovers significance in the island of Philae, for Lucie and, it is admitted, for herself. The myth of Isis tells how, on the murder of her beloved Osiris, she re-membered the parts of his body and conceived a new life, a son, Horus. Frank sees in Lucie's resurrected years in Luxor a "re-membering" of her life, and describes this book as "the record of my quest for her, the life I wrote while I struggled to re-member my own".

This is done with restraint, and is not unmoving, though I do not doubt that the biographer is projecting, as psychologists say, onto the life of her subject. For the rest, it is a conventionally chronological, agreeable, always interesting tale, collected, we are told, largely from unpublished letters and documents.

There lies a weakness; Frank seems reluctant to rely more heavily on Lucie's own words. *Letters from Egypt* may have been reprinted frequently – they caused a great stir in 1860s England – but we do not get enough of their content or flavour. In contrast, the time Lucie spent in South Africa in 1861 blazes into life because we are shown it entirely through Lucie's own letters.

"It was impossible to be lonely or unhappy in Egypt," trills Ms Franks in a rare lapse. Let us just say the dying Lucie was less unhappy than she might have been. It is a world long gone. These days she would probably have been shot by the Fundamentalists.

Wired in to words

With the challenge "Let us do away with the folklore that parents teach their children language", Professor Pinker sets out to prove that language is instinctive, and that its structure is "wired" into the human brain.

A psychology professor at the Massachusetts Institute of Technology, he opens with some of the questions that have long troubled his profession. "Why is it that a nation that can put a man on the moon cannot build a computer that can take dictation?" he asks. Instead of worrying that computers might eventually outsmart them, people should puzzle more about why the human brain is so good at understanding language, he says.

Engagingly written, his book is packed with the kind of anecdotes and references to rock stars now standard among academics keen on popularising science. He amusingly – though uncontroversially – demonstrates that people do not always hear words correctly. I will never again hear the phrase "A girl with kaleidoscope eyes", from the Beatles' song "Lucy in the sky with diamonds" without hearing Pinker chanting: "A girl with colitis goes by".

But the three main planks of Pinker's argument prove unequal to the weight he puts on them. For a start, he does not convincingly show that children "know things they could not have been taught". He says that children's mistakes such as "we holded the baby rabbits" cannot be "an act of imitation"; but he does not allow that it could simply be unsuccessful imitation.

THE LANGUAGE INSTINCT: THE NEW SCIENCE OF LANGUAGE AND MIND
by Steven Pinker
Allen Lane £20, 494 pages

His second claim that "there are common elements between all languages", also arouses doubts. According to Pinker, "if the basic order of a language is subject-object-verb it will usually have question words at the ends of the sentence." Usually? That hardly sounds universal. His claim that "if a language has a word for 'leg' it will have a word for 'arm' also raises questions: why not suggest that language is shaped by people's need to refer to their bodies rather than by neurological "wiring"?

Above all, it is the "ubiquity of complex language among human beings" that, to him, offers "compelling proof that language is innate". The climax of his argument is the claim that there is a "language" of images inside the brain, which he calls "mentalese". "People do not think in English or Chinese or Apache; they think in a language of thought [with]...symbols for concepts" he speculates. "Knowing a language is knowing how to translate mentalese into strings of words and vice versa".

Despite developing this hypothesis at length, he does not acknowledge the famous arguments of Ludwig Wittgenstein, the philosopher, that the theory of a "private language" such as "mentalese" is incoherent. Wittgenstein argued that a person would have no criteria for correctly matching these inner symbols to words as he would be the only arbiter of the symbols' use.

Pinker has fallen into the trap which has caught many working in his field. He has been tempted to claim more about the structure of the brain than science has yet established, and to bridge the gap with over-enthusiastic philosophy. As he would probably concede, people do not have a universal tendency to agree wired into their brains.

Bronwen Maddox

ARTS

Saleroom/Antony Thorncroft

Millionaires keep their purses shut

What on earth are we to make of the glitzy sales of Impressionist and Modern works of art in New York this week? Both Christie's and Sotheby's had assembled their finest auctions for four years, bursting with paintings by Gauguin, Monet, Picasso, Léger, Mondrian, and there was a quiet confidence that enthusiastic bidding from art-starved millionaires would announce to the world the end of the recession.

It did not quite work out like that. There was an audience, around 1,500 of New York's finest, at each evening sale, but while Sotheby's could crack open the champagne after its experience on Wednesday, Christie's on Tuesday was left groping for excuses.

"Pre-sale interest suddenly ebbed on Monday afternoon" says its expert Michael Findlay. "There were no new buyers; no real strength in the market". In contrast Alexander Apsis of Sotheby's found that "lots of different people were bidding, and many of them we had never seen before".

While half of Christie's 76 lots were unsold, Sotheby's disposed of 50 of its 69. In terms of totals and the value of the lots sold, the gap was not so great: Sotheby's brought in \$51.5m (£34.6m) and was 66 per cent sold while Christie's managed \$50.7m (£34m) and 59 per cent.

As Apsis says "there is a very fine line between what sells and what doesn't." He should know. Although Sotheby's secured the highest price paid at auction for two years when two keen bidders chased each other up to a record \$11.6m for "Lady with a fan", a ravishingly decorative painting by Gustav Klimt (which cost less than \$2m in 1987), Sotheby's sale just missed being exceptional. Two key works, a painting of Venice by Monet and a sculpture by Brancusi, failed to sell, even though bids for each nudged \$6m.

Buyers still have the whip hand, and the museum interested in the Brancusi and the private collectors salivating over the Monet know that the sellers will be open to post-auction offers. Michael Findlay of Christie's was also busy dealing with after-sale enquires.

Sotheby's reckons it was fielding the better paintings. This is debatable. Perhaps the key factor was that its auction took place 24 hours after that at Christie's; time to persuade vendors to accept more flexible reserves. In any case its estimates had seemed more cautious. A Sisley landscape carried a modest \$300,000-\$400,000, and sold for \$365,500, while two out of three routine works by Renoir went in the \$450,000-\$600,000 price range.

Christie's in contrast fielded some impressive single owner collections, including seven top works by Gauguin, Picasso, Vlaminck, Braque, etc, owned by the Zurich industrialist Jacques Koerfer, plus a group sold by the financially troubled retail magnate Mershulam Riklis, but after a good start, with the Koerfer Vlaminck making \$6.8m and his Picasso \$6.27m, the sale fell away to nothing.

Freshness was a factor. The Koerfer paintings did well because they had been hidden away for over 30 years, while some of the Riklis paintings

The few collectors prepared to pay over \$3m are being very selective

had been offered around privately in recent months. There also seems to be price resistance over the \$3m level and Christie's had more expensive pictures to dispose of.

This suggests that it will be a long haul to return to the halcyon days of 1989-90. Just four years ago, in a similar week of New York auctions, Christie's sold Van Gogh's portrait of Dr Gachet for a record \$82.5m and Sotheby's raised \$286m from a single auction.

This was because the salerooms had persuaded rich businessmen, in particular the Japanese, that major Impressionist and Modern artists were a good investment, and provided loans and easy terms for buyers. It was a primrose path to disaster, and there are many Monets, Renoirs, Van Goghs and Picassos currently in Tokyo (and Swiss) bank vaults with valuations worryingly below their acquisition price. One of the more interesting paintings on offer this week was "Contraste de formes" by Léger, one of a series of 12 in which he experimented with "pure painting". In 1989 one sold for \$14.7m: the best bid this week for another was \$2.4m.

No new speculative buyers are coming forward, and while the American economy has improved there were few European or Asian bidders this week. There are probably less than 20 collectors in the world prepared to pay \$3m or more for a painting, and they are being very selective.

Mrs. Jackie Rosenfeld at home: not a shopper, not a luncher, but for the London Philharmonic Orchestra she is a sweetly reasonable force for the good

Colin Beere

Acceptable face of patronage

David Murray meets a celebrated private sponsor of the arts

For a start, of course, you need to be fairly rich. Mrs Jackie Rosenfeld, a passionate music-lover since her early years in ballet, is very rich; but she is also a passionate, practical organiser of fund-raising musical events. On Tuesday, a few months after she received the O.B.E. for her services to music, the London Philharmonic Orchestra made her their first Honorary Life Member. As well they might: long before her second husband, the Hatton Garden jeweller Ben Rosenfeld, died 13 years ago, she was planning all their galas, and over the years she has raised more than £7m for the LPO.

Recent reports about the straitened circumstances of the Arts Council, and the consequent starving of some artistic endeavours, have generally assumed that only corporate sponsorship can take up the slack. The familiar worries are rehearsed: will big sponsors be leery of innovation if it isn't sexy? Will they interfere with artistic policy, when their motives have less to do with excellence than with maximal commercial exposure?

Private patrons of public music are less exigent. In programme-books they get recognition in small print. Why do they do it?

I went to ask Mrs Rosenfeld, whose involvement with music is generous and comprehensive. Her grand flat in St. James's Place, overlooking Green Park, accommodates any amount of music-business. The phone and the fax-machine are constantly busy, for beyond her LPO commitments she is or has been governor or director of the South Bank itself, of the Royal College of Music, the Israel Philharmonic, the Music Therapy Charity, the Mondsee Festival in Austria, the near-legendary Prussia Cove Seminars for budding virtuosi. She personally sponsors single concerts and chamber-music series too.

Why? "To me, it's a great privilege to be involved in something which you love. It's a lot of work; but you see, I've nothing to do! I'm not a shopper, I'm not a luncher." In London, how many patrons operate on a scale like hers: maybe three or four others? "I think there must be a dozen; I've never really added them up..." She admits to tapping the same people pretty often for support; that has made her very sensitive to what they will enjoy hearing. For fund-raising galas, "bottoms on seats" is the bottom line.

I wondered whether that makes her a conservative brake on programming. She has persuaded the violist Nobuko Imai to leaven her forthcoming Hindemith series with Brahms (for which relief much thanks). What about new music? "It's not a *great* interest, but I like Berio, and I like Harry Birtwistle." Later she remembers to mention George Benjamin too; we agree that he is a complete musician, and ought to be more prolific than he is.

Apart from galas, does she claim a say in planning the LPO's regular seasons? "Yes, I do: a little bit, to a certain extent, not very much. And there's no reason for them to take any notice of me!" (That cannot be quite true.) "But – I *do* have a little say. Because sometimes I get feedback from our audience: 'we don't like this, we'd prefer that'. And one should listen; they're our public, and they've been loyal to us for many years, and if we didn't listen it would be very foolish."

How does Mrs Rosenfeld rate Arts Council support against private patronage? "The Arts Council made a terrible fiasco last year [the abortive run-off between the major London bands]. Very sad, because that money would have gone to the orchestras, which they desperately needed. It was a complete waste of time and money."

Still, it cannot be exciting for private patrons to find themselves just filling the gaps in state funding? "But if they pick up the tab of a concert, they then can take their 200 tickets and do what they like with them. They can fund-raise for their pet charity, which is what I do again and again [Bosnian children are her current concern]. They're becoming a sponsor, they're helping the arts and they're helping a charity! It actually works very well."

Besides, you could always fund an orchestral chair, guaranteeing (say) the first bassoon's salary for many years to come: a boon and a relief for any beleaguered orchestra. "It's rather nice, because then you choose the instrument that you prefer. I love the cello, so I funded the cellist; a great friend of mine funded the violin. I think it's a nice idea." Among the plutocrats, Mrs Rosenfeld must be a great, sweetly reasonable force for the good.

Shades of Berio

On the South Bank this week, the next-to-last instalments of the Lucian Berio festival were *mezza voce* and secretive: his 1984 "in memoriam" for Cathy Berberian, *Requies*, and his recent third quartet *Notturno*, commissioned by the South Bank with the Vienna Konzerthaus. Tonight's final instalment, a semi-staged performance of his Calvino opera *La vera storia*, will be noisier.

Franz Welser-Möst conducted the London Philharmonic in Berio's last piece for Cathy, the inspired performer who was his first wife. *Requies* stretches an almost-melody – Berio calls it a "shadow" that "describes" a melody – slowly and gently through an aqueous texture of muted *tremoli* and floating whispers. The lyrical gist slips continually from one instrument to another, hazed or soft-filtered by chimes and dulcet marimbas. Its shadow-silhouette will stand out more when the LPO has had more time to play the piece in. There are the merest hints of protesting regret; otherwise a kind of measured, serene melancholy reigns.

Mahler's "Resurrection" Symphony followed. Hardly a response to the *Requies*; but in the wider festival-context, a neat choice after Berio's *Sinfonia* the week before, which famously enlists Mahler's scherzo as the running basis for its wicked collage of Great Post-Romantic Snippets. As a Mahler performance, it was the latest of Welser-Möst's well-planned, narrow-chested, slightly over-anxious assaults on some post-Romantic peak.

From the arrival of the solo voices, Marjana Lipovsek's warmly expressive mezzo and Felicity Lott's translucent, artfully fragile soprano, the performance took wing. Before that, the conductor had treated the opening movement – which all Mahlerians know to be a tumult of seismic upheavals, piercing laments and bursts of sardonic gall – as a quick-march with interesting surprises. The Andante and the scherzo were tame, under-pointed. But the later stages of the symphony warmed to a fine blaze, especially once the London Philharmonic Choir stood up; they sat for their first quiet entries, at palpable cost to the depth of their tone.

On Thursday the Alban Berg Quartet played Berio's *Notturno* rather as they had played Haydn's "Sunrise" Quartet, op. 76 no. 4: with exquisite balance and shading, and such cool composure as to dilute any latent drama. The *Notturno* is a highly patterned affair, in which distinct kinds of material and diction are constantly rotated, varied rather than developed. A great deal of that is in suppressed pianissimo, a-whisper with trills, *sul ponticello* croaks and tiny flickering figures, which the players turned brilliantly.

For once, Bartók must have been standing behind Berio's shoulder: the *Notturno* sounded like a natural development from certain movements in the older composer's later quartets. To spot the kinship, however, was also to notice that Berio's beautifully-made piece lacked – in this performance, at least – a sense of arriving anywhere definite in its closing phases, unlike anything Bartók ever composed. It seemed as if it could equally have stopped two minutes sooner, or four, or six, without any loss of effect. I fancied that a more purposeful structure might be concealed there than we heard.

David Murray

A romantic revolutionary

After Snoo Wilson's portentous marginalia on the Duke of Windsor, Mold's Theatre Clwyd has meatier fare: Shaw's *Saint Joan*, some fatty verbosity and deceptively chewy intellectual gristle apart, still offers a fair amount of theatrical protein.

The mercifully streamlined production by Gale Edwards, distinguished work in Australia behind her, is unabashedly romantic, not afraid to add red lighting or dry ice effects to Peter J. Davison's handsome settings. The opening scene's straight rows of breast plates that bristle across the stage, sent sprawling even into the stalls by the squire's contemptuously clouted steward, provide a surreal image of a nation ravaged by war. Sliding hangar doors in the austere box set give on to giant *fleur de lys* and a long corridor down which the shackled Joan clunks towards her trial.

If Shaw, with gadfly evasive shallowness, declared Joan to be the first Protestant, this production emphasises her status as romantic revolutionary: the idealist who becomes a thorn in the side of the new establishment, the fundamentalist who embarrasses the compromises of power.

All memorable Joans seize a particular aspect of the Maid to make their own. Images linger of Joan Plowright's warm, womanly earthiness; Frances de la Tour's gawky, heart-broken passion; Eileen Atkins' wry knowingness; Angela Pleasence's vulnerable, whey-faced tenaciousness. At Mold the Maid is Imogen Stubbs, who gives us a little-girl Joan, the innocent, unwitting iconoclast. A small figure as some Joans go, Stubbs excels at compact, fizzy spitfire energy.

She bounds on for her first entrance like an Enid Blyton heroine plus Geordie accent. Hair shorn, she is suddenly boyish at the siege of Orleans. In the trial scene she is a child, with a child's compliance to adult authority but also a child's infuriatingly logical stubbornness. Her recantation reduces her to a whimpering little girl. She must avoid the danger of sentimentalising the role, at the moment just achieved. The reading, already touching, will doubtless get tougher before the production reaches London.

Shaw's schoolmarmish tendency to wag a garrulous forefinger and his clumping facetiousness are rare in this play, though today the caricature English cleric, Stogumber, would be reversed into an anti-English Englishman, given our mania for obliterating anything that resembles a native culture or tradition. Good support from all, notably Peter Jeffrey's Inquisitor and Philip Quast's Bastard of Orleans. Only Jasper Britton's gratingly clownish Dauphin irritates: silly walks, funny voices, a sub-suburban sit-com accent suggest that he shares the family defect of dottiness, like his father Charles VI and his unfortunate nephew Henry VI of England. But that is in another, and better, play.

Martin Hoyle

User-friendly 'Flute'

Three boys turn the pages of an enchanted book. As a glow starts to emanate from inside, the overture comes to an end, the lights dim and the show begins: *The Magic Flute* as fairy-tale is at least as valid an interpretation as any other.

For the audiences that Opera North services on its touring around the country, a production of this favourite Mozart opera that combines a clear telling of the story with pantomime fun is likely to go down well. The company's new staging by Annabel Arden (best known for her work with Théâtre de Complicité) is a modest effort in every sense, simple in concept, basic in design, but it allows a naive enjoyment of the opera. A full house at the second performance on Thursday clearly loved it.

Among its simple pleasures are a comic dragon with a fiery red tongue to menace Tamino in the opening scene and an array of strange, multi-coloured, rubbery creatures that appear when he plays his flute, as if he has strayed into a kindergarten extension of *Jurassic Park*. The adult aspects of the story tend to get short shrift, although it was an amusing idea to have Sarastro's throne growing out of the tree of knowledge. Rae Smith was the designer, working (one imagines) on a shoe-string.

There is little sense of the production team agonising at length over the moral implications of this complicated tale. By using the translation of the musical numbers by Jeremy Sams the company has ensured simply that the story comes across clearly and humorously, in extremely user-friendly English. The spoken dialogue has been newly translated by Arden, not to mention heavily cut: a relief, as it is stiffly delivered.

Opera North is lucky to have William Burden back after his successful *La Bohème* as a personable Tamino, free from assuming any false princely airs, singing the tenor's music as though it has no difficulties to it at all. His pint-sized Pamina, Linda Kitchen, was less fortunate; her voice does not always take kindly to the broad, sustained, lyrical style. William Dazeley works hard to be cute as Papageno, too hard for my taste, though the audience thought otherwise. Eileen Hulse was a lightweight Queen of the Night without much regal authority. John Rath as Sarastro had trouble staying in tune.

All of them were hustled along by Andrew Parrott in the pit. He does not necessarily race ahead where the music is fast, but almost nothing sounded relaxed, able to give the drama space in which to encourage contemplation, enhance understanding. Scenes such as Tamino's arrival at the Temple of Wisdom felt perfunctory. Although this *Magic Flute* is a minor addition to the sum of Mozart productions, it should win over first-time visitors to the opera: the cheers at the end sounded genuine.

Richard Fairman

Sponsored by Yorkshire-Tyne Tees Television. Grand Theatre, Leeds, until June 3, then on tour to York, Hull, Nottingham and Manchester

Henry Moore, born in Castleford in the old West Riding in 1898, was famously a Yorkshireman, even though he left his native hearth for ever as a young man. His career and reputation may have been made in London and the South, but there was not a day in his long life in which his every utterance did not declare his origins in the North.

He always acknowledged the formative influence upon his creative imagination of the local landscape sub-consciously and intuitively, long before he ever knew he was to be an artist, let alone a sculptor. There were the medieval carvings in the church nearby at Methley, the monumental outcrops of rock on the moors at Adel and the high, gently rolling line of the surrounding hills against the sky. Moore in his maturity would always lift his work high into the air, to give it thus those limitless possibilities of space and scale.

From his student days he worked outside whenever he could as he carved his way through his college holidays in the garden of the Norfolk schoolhouse, where his sister Mary was headmistress. "Sculpture", he said, "is an art of the open-air. Daylight, sunlight is necessary to it. I would rather have a piece of my sculpture put in a landscape, almost any landscape, than in, or on, the most beautiful building I know." His hero, Michelangelo, might well have taken issue with him on the latter point, but for Moore it was true enough, and right.

The surprising thing is only that hitherto we have had in this country no near-permanent opportunity to see his work as he would have wished. There have been shows in the open-air galore, notably the 80th birthday retrospective in Hyde Park in 1977, and more recently in the Yorkshire Sculpture Park itself. The orchard and garden at Perry Green, Moore's home in Hertfordshire, also have works dotted about, just as they were in his lifetime, but that was ever a working arrangement, with work-in-hand put out to be seen in the space available, and then away. Only the great

'Oval with Points', 1968-70 by Henry Moore, happily ensconced in the Deer Park of Bretton Hall, near Wakefield

A monumental landscape

***William Packer** welcomes a new home for Henry Moore's work*

Sheep Piece in the field next door was ever consciously and permanently set into the landscape.

Nothing could be more appropriate, therefore, than that the Yorkshire Sculpture Park, of which Henry Moore was the first patron, and the Henry Moore Foundation should have negotiated the long-term use of what was the Deer Park of Bretton Hall, for the siting of a significant number of his works. The Wakefield Metropolitan District Council, which embraces Castleford, has owned this land, some 96 acres, since the late 1970s, and runs it as a country park.

The fear might have been that this would be some kind of cultural take-over, with art being rammed down people's throats who only want a bit of fresh air and a nice walk. Nothing could be further from the truth. The people of West Yorkshire have long grown used to the idea of sculpture in the landscape, and the Yorkshire Sculpture Park itself is one of the most popular recreational resorts in the north of England. And the installation is beautifully judged, with its 16 pieces set discreetly to punctuate and inform the landscape. In all it is the happiest of collaborations between national, cultural and local interests. Even the sponsor, Hickson International, is local, with factory in Castleford and offices in Leeds, where Moore first went to art school.

The principle is that the Henry Moore Foundation, which owns the works, will renew the display piecemeal over the years, with each fresh work being carefully considered in its particular site. As it is, we walk westwards up the valley towards the house, with the lake below and the slope of the hill above. Each piece stands alone, yet we are teased forward by the hint of another beyond the trees – here a figure reclining magnificently below us in its grassy hollow, there another high above and majestic against the sky. Far ahead the "Large Two Forms", Stonehenge in scale as in effect, holds the great open centre of the park, pulling all together. And all around the trees themselves turn to shimmering sculpture in the sunlight, the folds and fall of the ground itself come into high relief, and the sheep munch away, rubbing themselves against the bronze, dozing in the shade.

Henry Moore in Bretton Country Park: Yorkshire Sculpture Park, Bretton Hall, near Wakefield, from May 12; sponsored by Hickson International.

Enfants terribles dance on

***Clement Crisp** on works by Michael Clark and Matthew Bourne*

To re-choreograph the Stravinsky/Balanchine *Apollo* is rather like re-writing *Hamlet*: the act of a dolt or a mad genius. For all his zany ways and interminably prolonged adolescence, Michael Clark is no dolt. Nor does he qualify as a mad genius. Rather, in his *O*, in which he does indeed give new choreography to *Apollo*, he shows himself a commanding and wonderfully imaginative creator. At last, say I, he has come of age.

O is in two parts. In the first, the "enfant terrible" still dominates in the choice of deafening, hell-sent rock, but this din accompanies dance of mature understanding. At the Royal College of Music, Manchester, on a stage bare save for six doors at the back, Clark explores a sequence of long adagio phrases. He is simply dressed in a leotard; the movement stretches out as his body unfolds, revelling in the curves of those perfect legs and feet, with the contraposto of his torso a ravishing balance and complement. His colleagues – three women, one man – follow discreetly in his footsteps (the Clark feet still a marvel of the dance world in shape and flexibility). There comes a wild coda when dress and dance are tatterdemalion, yet the final impression is, despite the maniac blast of the accompaniment, very pure.

But the point of *O* is its second part, an interpretation of *Apollo*. It was with this score, in its white, formally serene measures, that Balanchine found himself, and found the way forward for classical ballet in our century. I hope it is not too fanciful to think something of the same for Michael Clark.

The stage is dominated by a large reflecting box-structure, diagonally placed. Incident flashes off its sides – Leto giving birth to Apollo; the muses' entry – then as the music announces Apollo's manhood, Clark is brilliantly seen in its illuminated interior. White-suited, he awakens, stretches. Emerging from this altar-womb – its opening a thrilling coup – he dances. The action is sufficiently pinned into Stravinsky's music (and momentarily – the famous finger-touch with Terpsichore – into Balanchine's text) to make dramatic sense. But what thrills eye and mind – and heart – is the grace of Clark's movement language: its linear virtues, its imagination (he writes as well for the Three Muses as for himself), and its lovely logic.

His own performance is superlatively good: noble, carved in light, Apollonian in its formal order. He demonstrates what Virgil Thomson, writing about musical craftsmanship, called the "twin privileges: freedom and responsibility". So Clark has at last found the freedom to use his own dance-style fully – the style proposed in the first part of *O* – and shown a responsibility to his score and to the exquisite rightness of his own physique as a symbol of Apollonian grace.

I have in the past hated what Clark has done because unworthy of his talents. I salute this beautiful and cogent work of art, which honours its score and its creator/interpreter. The final moments, when a mirrored stage reflects multiple images of Clark and his cast, is a true apotheosis of his talent. This half of *O* is as beautiful and significant as Balanchine's *Apollo*. No greater praise.

Taggart is a faggot. Jean Brodie – sit on my face. Gurn is a dork. Of such biting wit are the graffiti on the loo-doors that are the initial setting for *Highland Fling*, a view of balletic romanticism now on offer from Adventures in Motion Pictures. Even before the action begins, the trick has been played, the joke has run its miserable course.

Matthew Bourne, AMP's director and choreographer, has clearly not heard Noel Coward's dictum: "Never come out of the same trap". With his version of *Nutcracker* two years ago, Bourne made an amusing revision of a dance cliché. With *Highland Fling* he has turned to another 19th century text – *La Sylphide* – and has even cast a wandering eye at Giselle. A programme note warns us that next year he will made advances on *Swan Lake*. Is there time to find some Brussels directive that will stop this game before it gets out of hand? If *Highland Fling* is anything to go by, there is a case against Bourne for aggravated and witless vandalism.

The piece is an unabashed stinker. Bourne's procedure is to transfer the story to the Glasgow of today. James is a pill-popping lout; other characters are crude and tartaned cyphers, fully armed with cans of beer; the sylphide is a cross between Vampira the Bloodsucker and a tipsy drag-queen. The second act's sylphs look like manic dirty laundry. People fall down, rush in an out of loos, and shreds of the old narrative are inexpertly woven into a crude inversion of romanticism, a subject on which I think Bourne needs some coaching. I watched two laboured and interminable acts with lowered spirits and rising gorge.

David Garforth's fine recording of Lovenskjold's *Sylphide* score was played far too loudly. The cast romped in a flailing, family-charades manner, and in a culminating moment of charm, James takes a pair of garden shears, cuts off the sylph's wings, and we are treated to a bloody (bloody indeed) farewell.

Of choreographic or dramatic interest I saw no trace. The original taut narrative is knocked senseless. Bourne, lacking that eye for the ridiculous which might make the joke work. The incorporation of elements from *Giselle* suggests desperation rather than any feeling for Romantic dance. Performances are uniformly dire, vulgar, as the cast bang about the tiny stage of the Baylis Theatre. How rewarding to learn from the programme that BBC TV plans to film this undertaking. Another bead on the corporation's rosary of mediocre dance.

O can be seen in Sheffield, Oxford, Brighton, London (Brixton Academy), and Edinburgh during the next two months. Highland Fling is at the Baylis Theatre until May 28

Off the Wall/Antony Thorncroft

New team faces old problems

The Arts Council's new team of Lord Gowrie, chairman, and Mary Allen, secretary general, went on show this week and found itself facing the same old problems: inadequate funding and the intractable question about orchestras.

With the government committed to reducing its grant to the council by around £25m in real terms over the next four years, money remains the paramount problem. The council will lobby hard for more cash, but knows that the opening of the National Lottery floodgate next January could, ironically, scupper its chances.

The council will have the task of channelling around £10m a month of lottery revenue into building projects for arts companies. Treasury ministers reckon that this must improve the ability of these companies to boost their incomes, and they will turn a deaf ear to pleas for more annual subsidy.

Mary Allen seems to favour fewer, but better funded, Arts Council clients. But she promised this week a "steady as we go" policy, with plenty of notice for clients who face a chop in their grants. These could well include orchestras, although no announcement is likely until December when the current review of musical life in the provinces, undertaken with the BBC, reaches its conclusion.

In the meantime the council must find a new music director to replace Ken Baird, just one of the victims of the council's ill-conceived attempt to cut London orchestras. Favourite is Anthony Sargent, who currently supervises the generous arts and music budget of Birmingham Council.

★

Is rock and roll a dying art? Given that most of the money-making rock artists are now aged around 50, why should not rock, like the Pre-Raphaelite Brotherhood in art and *fin de siècle* decadent poetry in literature, be an art form that has run its natural course?

The fact that those old Krakens, the Rolling Stones, are heaving themselves together for one more tour of the American stadia this summer seems to confirm the fact. They are revivalists of a moribund musical form, like Pink Floyd and the Eagles, now also both playing the US.

The clincher is the question: which pop stars under 30 could currently fill Wembley Stadium? None. In fact no pop concerts are planned there this summer. An era seems to have passed. The American giants – Springsteen, Prince, Madonna, Michael Jackson (none under 30) – who could take on Wembley are staying at home; perhaps they are doubtful of their pulling power.

This is bad news for Wembley, which can make £3m a concert. Also bad news is that Sony, the entertainment conglomerate, is pouring money into an alternative rock venue, the Milton Keynes Bowl, which it part owns. Not surprisingly it now books its stars, like Springsteen in 1993, there rather than the Stadium.

★

The die is cast. The Royal Opera House, Covent Garden, has committed itself to closing in 1997 for essential re-building work which will, in four years, bring its backstage facilities from the 19th to the 21st century.

By an odd coincidence English National Opera at the Coliseum also expects to close in the summer of 1997 for a £38m facelift. Both companies want to take advantage of the lottery money that will be splashing around them, although Covent Garden is eyeing the Millennium Fund while ENO fancies the cash distributed through the Arts Council.

Opera lovers need not despair. Both companies have hit upon the nearby Theatre Royal, Drury Lane, as their temporary home and there are already discussions revolving round the ENO popping in for a year, and the Opera House filling it for the remainder of its three years in the wilderness. The problem has been the rental asked by owners Stoll-Moss, and what to do with the current production there, *Miss Saigon*.

But suddenly there is a new player in the game. Apollo Leisure looks likely to acquire the derelict Lyceum, almost opposite Drury Lane. For around £7m, it is suggested, the theatre could be restored to its late-19th century glory and could become an effective 2,000 plus seater which would suit Covent Garden very well. Or it could house any musical displaced from Drury Lane by the opera companies. The glimmerings of a deal are forming, and one in which the revitalised Arts Council is playing an active role.

Chess No 1021: 1 Nxf7? Nxf7 2 Bg6 Ng3 3 Bxf7 (3 Rxd8+ Nxd8) Ne2+ wins. A grandmaster shouldn't need advice to spot such a simple trap.

TELEVISION

SATURDAY

BBC1

7.25 News. 7.30 Felix the Cat. 7.45 Joe 90. 8.10 The Legend of Prince Valiant. 8.35 Round the Twist. 9.00 Parallel 9. 10.55 Film: Looney, Looney, Looney Bugs Bunny Movie.

12.12 Weather.
12.15 FA Cup Final Grandstand. Introduced by Desmond Lynam from Wembley Stadium. 12.20 Team News: A report from the squads' hotels. 12.30 Cup Build-Up: A look back at the dramas and goals of this year's FA Cup. 1.00 News. 1.05 Cup Build-Up. 2.20 Meet the Teams: An insider's guide to the big game line-ups. 2.35 Pre-Match Build-Up: The first appearance of the teams on the pitch. 3.00 FA Cup Final: Chelsea v Manchester United. Full live coverage. In the event of extra time, subsequent programmes are subject to change.
5.30 The Flintstones.
5.55 News.
6.05 Regional News and Sport.
6.10 Jim'll Fix It. Sir Jimmy makes more dreams come true.
6.40 The New Adventures of Superman. Lex Luthor creates an evil clone of the Man of Steel and orders it to destroy the genuine article. Dean Cain and John Shea star.
7.30 Morecambe and Wise: Bring Me Sunshine. New series. First of three programmes in which comedian Ben Elton pays tribute to the fun-filled career of Britain's best-loved double act. As the 10th anniversary of Eric's death approaches, guest stars who worked with the duo, including Glenda Jackson, Cliff Richard, Diana Rigg and John Thaw, fondly remember their comic style and timing.
8.10 That's Life!
8.50 News and Sport; Weather.
9.10 Film: Blind Date. Bruce Willis makes his big-screen debut as a yuppie businessman who gets fixed up with Kim Basinger in a bid to impress clients and colleagues at an important business dinner - a date that goes from bad to worse when she gets hopelessly drunk. Blake Edwards' romantic comedy, with John Larroquette and William Daniels (1987).
10.40 Match of the Day. Desmond Lynam introduces highlights of this afternoon's FA Cup Final from Wembley.
11.40 Film: Three O'Clock High. A school hero squares up to a newly arrived bully whose reputation has preceded him. Teen drama, starring Casey Siemaszko and Anne Ryan (1987).
1.10 Weather.
1.15 Close.

BBC2

6.00 Open University. 12.15 pm Film: Pearl of the South Pacific.

1.40 Time with Betjeman. The late Poet Laureate talks to Australian comic Barry Humphries.
2.20 Scrutiny. Insight into the work of the parliamentary committees.
3.00 Woodland Web. Film following the development of the country's broad-leaved forests.
3.25 Film: Mr Smith Goes to Washington. A naive young senator tackles corruption and greed when his plan to build a boys' camp is thwarted by land developers. Political satire, starring James Stewart (1939).
5.30 Rugby Union. Julian Tutt introduces action from the Middlesex Sevens, the traditional finale to the season.
7.30 News and Sport; Weather.
7.45 Captain Calypso. England cricket captain Michael Atherton looks back on his team's performance during the recent Caribbean Test series, from a humiliating defeat in Trinidad to triumph in Bridgetown, Jamaica. Highlights include Brian Lara's historic innings in Antigua, and exclusive footage of players off the field, as they cope with constant press attention and blazing heat.
8.35 Fine Cut. New series. Michael Apted's moving account of the pro-democracy movement in communist China, which culminated in the student uprisings of 1989. The programme profiles key figures in the Tiananmen Square rallies and features interviews with leading dissidents who discuss what effect the bloody government crackdown has had on people's basic desire for freedom.
10.00 Have I Got News for You. Comedian Jack Dee and Labour MP Diane Abbott compete in another round of the comedy news quiz.
10.30 Seinfeld. Jerry is forced to look after a stranger's dog, while Elaine and George make an unwelcome discovery about their relationship.
10.55 Later With Jools Holland.
11.50 Washington Behind Closed Doors. Part one of the drama depicting corruption and intrigue in the American political system, through a ruthless senator's rise to the presidency. Jason Robards stars.
1.35 Close.

LWT

6.00 GMTV. 9.25 Gimme 5. 11.30 The ITV Chart Show. 12.30 pm Opening Shot.

1.00 ITN News; Weather.
1.05 London Today; Weather.
1.10 Movies, Games and Videos. The latest computer games on offer, including Trolls, and Pinball Dreams.
1.40 NBA Basketball. Alton Byrd introduces the game of the week.
2.40 Cartoon Time.
3.00 A Tribute to George Peppard: The A-Team. George Peppard stars as The A-Team's leader, Colonel John Hannibal Smith in the first ever - feature length - episode. The team help a journalist find her colleague.
4.45 ITN News and Results; Weather.
5.00 London Today; Weather.
5.20 Bullseye. Genial questionmaster Jim Bowen presides and guest Kevin Kenny throws for charity in another edition of the darts-based quiz.
5.50 Baywatch. Matt falls victim to an elaborate con after rescuing a beautiful teenager from drowning. Stephanie becomes deeper involved with coastguard Scott Daniels.
6.45 Stars in Their Eyes. New series. Matthew Kelly hosts as the first five soundalikes of 1994 take the stage, with impersonations including Tom Jones, Kate Bush and Willie Nelson.
7.30 The Brian Conley Show.
8.15 You've Been Framed!
8.45 ITN News; Weather.
8.55 London Weather.
9.00 Taggart. A series of shootings terrorises Glasgow, just as one-time hit man Jimmy Catto is released from a long stretch – is he up to his old tricks? Taggart, who was at school with Jimmy, isn't so sure. Feature-length episode of the gritty police drama, starring Mark McManus, James Macpherson, Ian Hogg, Clare Grogan, John Salthouse and Harriet Buchan.
11.35 Secret of the Sahara. Part two. A renowned American archaeologist finds a manuscript proving the existence of the legendary Talking Mountain. Telly Savalas stars; ITN News Headlines.
2.25 The Big E; ITN News Headlines.
3.20 The New Music.
4.15 BPM.
5.00 Hot Wheels.

CHANNEL4

6.00 4-Tel on View. 6.30 Early Morning. 10.00 Trans World Sport. 11.00 World Speed Chess Challenge. 12.00 Sign On: Deaf People of Guinea. 12.30 pm Bombay Chat.

1.00 Film: A Letter to Three Wives. A trio of women receive word that a friend has run off with one of their husbands. Comedy, starring Jeanne Crain, Kirk Douglas, Ann Sothern and Linda Darnell (1949).
2.55 Film: The Ghost and Mrs Muir. A lonely widow is romanced by the spirit of a dead sea captain, and gradually succumbs to the charms of her spectral admirer. Fantasy, starring Gene Tierney, Rex Harrison, George Sanders and Edna Best (1947).
4.50 Farewell Little Island. Animation about an island destroyed by modern technology.
5.05 Brookside.
6.30 Right to Reply. Viewers' reports and ideas about recent TV programmes.
7.00 A Week in Politics. Irreverent look at developments over the past seven days; News Summary.
8.00 The Sexual Imperative. The basics of sex, investigating what can be learned from the behaviour of animal species around the world. The opening programme examines why some wildlife devote their entire lives to reproducing, while others never breed at all.
9.00 NYPD Blue. A murder witness is targeted by the hit man who killed her boyfriend. Laura believes she is being followed.
10.00 It's a Girl. Through a series of comic sketches and monologues, Imelda Staunton comments on the health care women can expect from a largely male medical profession. Featuring Jo Brand, Anita Dobson, Claire Rayner, Thora Hird, Phyllis Logan and Robert Llewellyn.
11.05 Film: Little Murders. Black comedy charting the relationship between laid-back photographer Elliott Gould and cheerful would-be girlfriend Marcia Rodd, set against the backdrop of a violent city where muggings, murder and rape are accepted as part of everyday life. Directed by Alan Arkin, and co-starring Vincent Gardenia, Elizabeth Wilson and Donald Sutherland (1971).
1.00 Late Licence.
1.10 Herman's Head.
1.40 Naked City.
2.25 Beavis and Butt-Head.
2.55 True or False.
3.25 Electric Ballroom.
3.50 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA: 12.30 Movies, Games and Videos. 1.05 Anglia News. 1.10 Cartoon Time. 1.25 The Munsters Today. 1.55 World Cup Hall of Fame. 2.25 Great Expectations. (TVM 1974) 5.00 Anglia News and Sport 5.55 Anglia Weather. 11.35 Lady Sings the Blues. (1972)

BORDER: 12.30 COPS. 1.05 Border News. 1.40 Sail the World. 2.10 The Greatest American Hero. (1981) 4.00 Superstars of Wrestling. 4.55 Border News and Weather 5.00 Cartoon Time. 11.35 Destination America. (TVM 1987)

CENTRAL: 12.30 America's Top 10. 1.05 Central News 1.10 The Munsters Today. 1.40 Movies, Games and Videos. 2.05 Cartoon Time. 2.15 WCW Worldwide Wrestling. 2.50 The Fall Guy. 3.45 MacGyver. 5.00 Central News 5.05 Cartoon Time. 5.55 Local Weather. 11.35 CAT Squad: Stalking Danger. (TVM 1986)

GRAMPIAN: 12.30 Sport. 1.05 Grampian Headlines 1.10 Telefios. 1.40 For the Love of Mike. (1960) 3.20 Cartoon. 3.30 Sail the World. 4.00 Superstars of Wrestling. 5.00 Grampian Headlines 5.05 Grampian News Review. 5.55 Grampian Headlines. 11.35 Destination America. (TVM 1987)

GRANADA: 12.30 COPS. 1.05 Granada News 1.40 Sail the World. 2.10 The Greatest American Hero. (1981) 4.00 Superstars of Wrestling. 4.55 Granada News 5.00 Cartoon Time. 11.35 Destination America. (TVM 1987)

HTV: 12.30 World Cup Hall of Fame. 1.05 HTV News. 1.10 Sail the World. 1.40 Barney. (1971) 3.15 Movies, Games and Videos. 3.45 The A-Team. 5.00 HTV News. 5.10 Cartoon Time. 5.55 HTV Weather. 11.35 Destination America. (TVM 1987)

MERIDIAN: 12.30 Heldl. 1.05 Meridian News. 1.10 Sail the World. 2.40 Best of British Motorsport. 3.10 The A-Team. 4.10 The Munsters Today. 5.00 Meridian News. 5.10 Cartoon Time. 11.35 Crime Story.

SCOTTISH: 12.30 Extra Time. 1.05 Scotland Today. 1.10 Telefios. 1.40 Faoiltean Na Feille. 2.10 On Fire. (TVM 1987) 3.55 The A-Team. 5.00 Scotland Today 5.10 Cartoon Time. 5.55 Scottish Weather. 11.35 NB.

TYNE TEES: 12.30 Movies, Games and Videos. 1.05 Tyne Tees News. 1.10 The Munsters Today. 1.35 Zorro. 2.05 The Hellhounds of Alaska. (1973) 3.50 Knight Rider. 4.55 Tyne Tees Saturday 5.10 Cartoon Time.

ULSTER: 12.30 Blockbusters. 1.05 UTV Live News 1.10 Best of British. 1.40 Movies, Games and Videos. 2.10 Cartoon Time. 2.15 Valley of the Gwangi. (1969) 4.00 Superstars of Wrestling. 5.00 UTV Live Early Evening News 5.05 Cartoon Time. 5.55 UTV Live News 11.35 Destination America. (TVM 1987)

WESTCOUNTRY: 12.30 Movies, Games and Videos. 1.05 Westcountry News. 1.10 NBA Basketball. 2.10 Carry On Cleo. (1965) 3.50 The A-Team. 5.00 Westcountry News. 11.35 Destination America. (TVM 1987)

YORKSHIRE: 12.30 Movies, Games and Videos. 1.05 Calendar News. 1.10 The Munsters Today. 1.35 Zorro. 2.05 The Hellhounds of Alaska. (1973) 3.50 Knight Rider. 4.55 Calendar News. 5.10 Cartoon Time.

SUNDAY

BBC1

7.30 Johnson and Friends. 7.40 Playdays. 8.00 Blood and Honey. 8.15 Breakfast with Frost. 9.15 Heart and Soul. 10.00 See Hear! 10.30 Denied the 9 to 5. 11.00 Second Chance. 11.30 Tales from the Map Room.

12.00 CountryFile on Sunday.
12.25 Weather for the Week Ahead.
12.30 News.
12.35 On the Record.
1.30 EastEnders.
2.50 Film: Around the World in 80 Days. Lavish period adventure about a Victorian gentleman and his valet who wager they can circumnavigate the globe in 80 days. David Niven stars (1956).
5.30 Masterchef. Sarah Greene and Christopher Chown judge the culinary efforts of contestants from Hampshire and Sussex.
6.05 News.
6.25 Songs of Praise. Pam Rhodes introduces viewers' favourite hymns from Coventry Cathedral, including How Great Thou Art and There is a Redeemer.
7.00 Last of the Summer Wine. Special episode of the comedy, shown again as a tribute to the late Michael Aldridge.
8.25 Pie in the Sky. The forces of law and order are alerted when conservationists resort to vandalism in their campaign against a new motorway. Fisher orders Crabbe to investigate the protestors - an assignment complicated when the beleaguered detective-cum-restaurateur recognises a number of familiar faces. Richard Griffiths, Maggie Steed and Malcolm Sinclair star. Last in series.
9.15 News and Weather.
9.30 Family. John Paul becomes increasingly upset at his parents' constant arguing and decides to run away from home with best friend Fats. Barry Ward stars.
10.20 Mastermind.
10.50 Everyman. Concluding part. In the light of figures suggesting up to half of all British marriages fail, the programme investigates why wedded bliss is apparently so hard to achieve. Has the rise of feminism encouraged women to assert their independence, or is the ideal of a life-long commitment simply impractical in the modern world?
11.30 Film: Marlowe. Down-at-heel private eye Philip Marlowe is hired by a young girl to find her missing brother. James Garner, Gayle Hunnicutt and Bruce Lee star (1969).
1.05 Weather.
1.10 Close.

BBC2

6.15 Open University. 9.10 Fiddley Foodle Bird. 9.25 Simon and the Witch. 9.40 Fievel's American Tales. 10.05 The Movie Game. 10.30 Grange Hill. 10.55 FOT. 11.20 A Likely Lad. 11.45 The O Zone. 12.00 Around Westminster.

12.30 Sunday Grandstand. Introduced by Sue Barker. 12.35 Women's Gymnastics: The European Championships. 1.15 Wrestling: The British Championships. 1.25 Cricket: Glamorgan v Yorkshire in the Sunday League. 2.10 Motor Racing: The Monaco Grand Prix in Monte Carlo. 4.35 Racing: The Irish 2,000 Guineas. 4.40 Cricket. Times subject to change. Subsequent programmes may run late.
6.25 The Natural World. The hazards faced by African wildebeest during their annual 500-mile circular migration around Tanzania's Serengeti National Park.
7.15 The Money Programme. With cuts to the armed forces at home and increasing competition abroad, is Britain's position as one of the world's leading arms manufacturers under threat? Dick Evans, chief executive of British Aerospace, and Lord Weinstock, chairman of GEC, debate whether the future of the country's defence companies inevitably lies in Europe.
7.55 La Difference. French and English obsessions, including the appeal of national rugby, the mystique of Edith Piaf, and the British royal family.
8.35 John Sessions' Likely Stories. Handsome Ted Has His Day, the story of a gym coach's final showdown with a crazed geography teacher.
9.05 Watergate. The story of America's notorious political scandal continues with an investigation into how President Nixon and his advisers attempted to cover up White House links with the break-in at the Democrat Party headquarters.
9.55 Grand Prix. Murray Walker presents highlights of the Monaco Grand Prix from Monte Carlo.
10.35 Moviedrome. New series. Introduction to the first of tonight's two films.
10.45 Film: The Andromeda Strain. A satellite crashes near a remote desert town unleashing a lethal extraterrestrial organism. Thriller, starring Arthur Hill and David Wayne (1971).
12.45 Moviedrome. Alex Cox introduces the second film.
12.55 Film: Fiend Without a Face. SF horror, starring Marshall Thompson (1957).
2.05 Close.

LWT

6.00 GMTV. 9.25 The Littlest Hobo. 10.10 Cartoon Time. 10.15 Link. 10.30 Sunday Morning with Secombe. 11.00 Morning Worship. 12.00 Sunday Morning with Secombe. 12.30 pm Crosstalk; London Weather.

1.00 ITN News; Weather.
1.10 The Judy Finnigan Debate. Live discussion on the main political and moral issues of the day.
2.00 World Cup Heroes and Villains. Offbeat look at the best and worst moments of World Cup action.
3.00 The Sunday Match - Live. Live coverage of Millwall's bid to reach the Premiership via the Football League play-offs.
5.30 The London Programme. Trevor Phillips examines the growth of indiscipline and violence in the classroom.
6.00 London Today; Weather.
6.20 ITN News; Weather.
6.30 Through the Keyhole. Chris Tarrant, Eve Pollard and Alan Coren try to guess the mystery owners of celebrity homes.
7.00 Surprise! Surprise!
8.00 The Dwelling Place. Cissie learns she is pregnant as a result of the rape, and a financially desperate Matthew prepares to marry Rose. Starring Tracy Whitwell and James Fox.
9.00 The Knock. Tommy and Eddie attract unwelcome attention in Jersey, while Barry and Andreotti close in on Mulvany. Enzo Squillino Jnr and Steve Toussaint star.
10.00 Spitting Image.
10.30 The House of Windsor. New series. Comedy set behind the scenes of Buckingham Palace, following the work of the Royal Family's staff. Leslie Phillips and Warren Clarke star.
11.00 ITN News; Weather.
11.10 London Weather.
11.15 The South Bank Show. Profile of French artist Christian Boltanski, who uses lights, shadows and old snapshots to comment on life's most profound subjects.
12.15 Sail the World.
12.45 Whalesong.
1.00 Married - With Children.
1.35 Cue the Music.
2.30 Film: Trial by Combat. Comic crime caper, starring John Mills and Donald Pleasence (1976).
4.05 Snooker: The European League.
5.05 Dining in France.
5.30 ITN Morning News.

CHANNEL4

6.05 Early Morning. 9.45 The Odyssey. 10.15 Saved by the Bell. 10.45 Rawhide. 11.45 Little House on the Prairie. 12.45 pm Surf Potatoes.

1.15 Film: All About Eve. An ageing actress takes on a ruthless younger woman intent on stealing her prestige. Oscar-winning black comedy, starring Bette Davis and Anne Baxter (1950).
3.45 Spellbound Hound.
3.55 British Team Tennis. Action from the men's semi-finals as Chris Bailey and partner Jeremy Bates clash with Andrew Foster and James Fox.
4.25 Film: People Will Talk. A surgeon's unorthodox methods arouse his colleagues' jealousy. Comedy drama, starring Cary Grant and Jeanne Crain (1951).
6.30 The Cosby Show.
7.00 Encounters. Profiles of people who live near active volcanoes, and often depend on the resources they provide for survival. The film focuses on the inhabitants of Java, following the villagers in Ngasiri, at the foot of Mount Bromo, and the men of Icim, who brave dangerous conditions to work on neighbouring Mount Ijen digging out sulphur deposits in its crater.
8.00 Speak Out. Concerned members of the public present filmed reports on current issues. The first programme features a man tracking down those responsible for supplying tickets to touts, and a father determined to expose the dangers of computer pornography after his six-year-old daughter was raped by a 13-year-old software enthusiast.
9.00 Birth Rites. Why women are shunning hospital-based childbirth in favour of natural or alternative methods. Filmmaker Tamasin Day-Lewis visits the West Country, where a fifth of mothers choose home birth, and meets a woman planning her own happy event on a remote hillside. Writer Bel Mooney investigates why conventional medicine is alienating more and more in its pursuit of birthing efficiency.
10.00 Film: Sibling Rivalry. Comedy, starring Kirstie Alley as a bored housewife who embarks on an affair - only to have her lover die in the throes of passion. With Bill Pullman and Carrie Fisher (1990).
11.40 Film: The Cold Summer of 1953. Prisoners, freed on the day of Stalin's death, set out to rob a trainload of gold. Russian political drama, starring Valery Priyemykhov (1987).
1.30 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA: 9.25 The New Scooby Doo Movies. 12.30 The Littlest Hobo. 12.55 Anglia News. 2.00 Wanted: Dead or Alive. 2.30 Dinosaurs. 3.00 The Long Ships. (1964) 5.30 The Village Show. 6.00 Anglia News on Sunday 11.10 Anglia Weather.

BORDER: 9.25 The New Scooby Doo Movies. 12.30 Gardener's Diary. 12.55 Border News. 2.00 Conference Report. 2.30 Wild World of the East. 3.00 Beloved Infidel. (1959) 5.15 Coronation Street. 6.15 Border News.

CENTRAL: 9.25 The New Scooby Doo Movies. 12.30 Central Newsweek. 12.55 Central News 2.00 It's Your Shout. 2.35 Take 15. 2.50 The Central Match - Live! 5.15 Hit the Town. 5.45 Zoo Life with Jack Hanna. 6.10 Cartoon Time. 6.15 Central News 11.10 Local Weather.

GRAMPIAN: 9.25 The New Scooby Doo Movies. 12.30 Gardener's Diary. 12.55 Grampian Headlines. 2.00 Conference Report. 2.30 Scotsport. 6.15 Grampian Headlines 11.10 Grampian Weather.

GRANADA: 9.25 The New Scooby Doo Movies. 12.25 Granada on Sunday. 12.55 Granada News 2.00 Live! The World's Greatest Stunts. 2.30 The Granada Match - Live! 5.15 Coronation Street. 6.15 Granada News

HTV: 9.25 The New Scooby Doo Movies. 12.25 The Littlest Hobo. 12.55 HTV News. 2.00 HTV Newsweek. 2.30 World Cup Hall of Fame. 2.45 A Fire in the Sky. (1978) 5.30 Journeyman. 6.00 Betjeman's West Country. 6.15 HTV News. 11.10 HTV Weather.

MERIDIAN: 9.25 The New Scooby Doo Movies. 12.30 Seven Days. 12.50 Meridian News. 2.00 The Pier. 2.25 The Listings. 2.30 The Absent-Minded Professor. (1961) 4.20 Highway to Heaven. 5.15 Dinosaurs. 5.45 Jack Pizzey's Coastline. 6.15 Meridian News.

SCOTTISH: 9.25 The New Scooby Doo Movies. 12.30 Skoosh. 12.55 Scotland Today. 2.00 Conference Report. 2.30 Scotsport. 6.15 Scotland Today 6.30 Scottish Passport. 11.10 Scottish Weather. 11.15 Don't Look Down.

TYNE TEES: 9.25 The New Scooby Doo Movies. 12.25 Tyne Tees Newsweek. 12.55 Tyne Tees News. 2.00 Highway to Heaven. 2.55 Voyage to the Bottom of the Sea. (1961) 4.50 Father Dowling Investigates. 5.50 Tyne Tees Weekend.

ULSTER: 9.25 The New Scooby Doo Movies. 12.30 Gardening Time. 12.55 UTV Live News 3.00 Police Six. 3.10 Old Yeller. (1957) 4.45 Murder, She Wrote. 5.40 Glenroe. 6.10 Witness. 6.15 UTV Live Early Evening News 11.10 UTV Live News

WESTCOUNTRY: 9.25 The New Scooby Doo Movies. 12.30 Westcountry Update. 12.55 Westcountry News. 2.00 Sail the World. 2.30 Westcountry Cameos. 2.35 Return to Peyton Place. (1961) 4.50 Murder, She Wrote. 5.45 Wild West Country. 6.15 Westcountry News.

YORKSHIRE: 9.25 The New Scooby Doo Movies. 12.25 The Littlest Hobo. 12.50 Calendar News. 2.00 Highway to Heaven. 2.55 Voyage to the Bottom of the Sea. (1961) 4.50 Father Dowling Investigates. 5.50 Calendar News and Weather 11.10 Local Weather.

RADIO

SATURDAY

BBC RADIO 2

6.00 Sujata Barot. 8.05 Brian Matthew. 10.00 Judi Spiers. 12.00 Hayes on Saturday. 1.30 The News Huddlines. 2.00 The Golden Days of Radio. 3.00 Ronnie Hilton. 4.00 Blood Brothers. 5.00 Nick Barraclough. 6.00 The Bootleg Beatles in Concert. 7.00 Cinema 2. 7.30 A Grand Centenary. 9.30 David Jacobs. 10.00 The Arts Programme. 12.05 Ronnie Hilton. 1.00 Jon Briggs. 4.00 Sujata Barot.

BBC RADIO 3

6.30 Open University: Running the Country. 6.55 Weather. 7.00 Record Review. 9.00 Building a Library. Mendelssohn's Symphony No 5, Reformation, by Jan Smaczny. 10.15 Record Release. Howells, Elgar, Ireland, Holst, Kodaly. 12.00 Spirit of the Age. 1.00 Table Talk. 1.15 Schoenberg Ensemble, Netherlands. 2.35 Les Goûts Réunis. 3.00 Glulnk: All in Good Time. 5.00 Jazz Record Requests. With Geoffrey Smith. 5.45 Music Matters. A new Leonard Bernstein biography. 6.30 Panocha Quartet. Haydn and Dvorak. 7.30 South Bank Berio Festival. British premiere of Berio's opera La Vera Storia. 9.50 Chopin. 10.30 Django Bates' Delightful Precipice. Concert recording from the Adrian Boult Hall, Birmingham. 12.30 Close.

BBC RADIO 4

6.00 News.
6.10 The Farming Week.
6.50 Prayer for the Day.
7.00 Today.
9.00 News.
9.05 Sport on 4.
9.30 Breakaway.
10.00 Loose Ends.
11.00 The Week in Westminster.
11.30 From Our Own Correspondent.
12.00 Money Box.
12.25 The News Quiz.
1.00 News.
1.10 Any Questions?
2.00 Any Answers? 071-580 4444. Phone-in response programme.
2.30 Playhouse: The Backward Son. Written by Stephen Spender and starring David Learner.
3.40 The Public Son of a Public Man.
3.45 Previous Convictions.
4.00 What If? The Cuban Missile Crisis.
4.30 Science Now.
5.00 File on 4.
5.40 Missions Improbable.
6.00 News and Sports.
6.25 Week Ending.
6.50 The Locker Room.
7.20 Kaleidoscope Feature. The uncertain future of London churches built by Wren.
7.50 Saturday Night Theatre: Roman Epic. By Steve Walker.
9.20 Music in Mind.
9.50 Ten to Ten.
10.00 News.
10.15 Trivia Test Match.
10.45 An Englishman in the Midi.
11.00 Comparing Notes.
11.30 Cordoba. By Nigel Baldwin. Last in series.
12.00 News.
12.33 Shipping Forecast.
12.43 (FM) Close.
12.43 (LW) As World Service.

BBC RADIO 5

6.05 Dirty Tackle.
6.30 The Breakfast Programme.
9.00 Weekend with Kershaw and Whittaker.
11.05 Special Assignment.
11.30 Crime Desk.
12.00 Midday Edition.
12.15 Sportscall.
1.04 Sport on Five.
5.00 Sports Report.
6.06 Six-O-Six.
7.30 Saturday Edition.
9.35 Out This Week.
10.05 International Boxing.
11.00 Night Extra.
12.00 After Hours.
2.00 Up All Night.

WORLD SERVICE

BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m) at these times GMT:

6.00 Morgenmagazin. 6.30 Europe Today. 7.00 World and British News. 7.15 The World Today. 7.30 Meridian. 8.00 World News. 8.15 Waveguide. 8.25 Book Choice. 8.30 People and Politics. 9.00 World News. 9.09 Words of Faith. 9.15 A Jolly Good Show. 10.00 World News and Business Report. 10.15 World Brief. 10.30 Development 94. 10.45 Sports Round-up. 11.00 Printer's Devil. 11.15 Letter from America. 11.30 BBC English. 11.45 Mittagsmagazin. 12.00 Newsdesk. 12.30 Meridian. 1.00 World News. 1.09 Words of Faith. 1.15 Multitrack 3. 1.45 Sports Roundup. 2.00 Newshour. 3.00 Sportsworld. 6.00 BBC English. 6.30 Heute Aktuell. 7.00 News and features in German. 8.00 News Summary; Mind and Body. 8.45 From the Weeklies. 9.00 World News. 9.09 Words of Faith. 9.15 Development 94. 9.30 Meridian. 10.00 Newshour. 11.00 World News. 11.05 Words of Faith. 11.10 Book Choice. 11.15 Jazz for the Asking. 11.45 Sports Round-up. 12.00 Newsdesk. 12.30 Sounds and Sweet Airs. 1.00 World and British News. 1.15 Good Books. 1.30 The John Dunn Show. 2.00 News Summary; Play of the Week: Blithe Spirit. 3.00 Newsdesk. 3.30 Discursive Excursions. 4.00 Newsdesk. 4.30 BBC English. 4.45 News and Press Review in German.

SUNDAY

BBC RADIO 2

7.00 Don Maclean. 9.05 Michael Aspel. 10.30 Hayes on Sunday. 12.00 Desmond Carrington. 2.00 Benny Green. 3.00 Alan Dell. 4.00 Young Musician 1994. 4.30 Sing Something Simple. 5.00 Charlie Chester. 7.00 Richard Baker. 8.30 Sunday Half Hour. 9.00 Alan Keith. 10.00 Do Not Forsake Me. 12.05 Steve Madden. 3.00 Alex Lester.

BBC RADIO 3

6.30 Open University: Semiotics and Visual Art. 6.55 Weather. 7.00 Sacred and Profane. Ravel, Brahms, Handel, Bach, Stravinsky. 9.00 Brian Kay's Sunday Morning. 12.15 Music Matters. A new Leonard Bernstein biography. 1.00 The Sunday Concert. Beethoven. 2.25 Lichfield Festival 1993. Daring, Byrd, Gibbons, Musgrave, Lupo. 4.00 Royal Liverpool Philharmonic Orchestra. Nicholas Maw, Schumann, Beethoven. 5.45 Making Waves. Alison Prince discusses her biography of Kenneth Grahame. 6.30 Beethoven. 7.30 Sunday Play: Mr Wroe's Virgins. Adaptation of Jane Rogers' novel. 9.35 Music in Our Time. Payne, Keith Gifford, Todd Brief. 10.30 Choir Works. Bach. 12.30 Close.

BBC RADIO 4

6.00 News.
6.10 Prelude.
6.30 Morning Has Broken.
7.00 News.
7.10 Sunday Papers.
7.15 On Your Farm.
7.40 Sunday.
8.50 Sir John Wilson, CBE.
9.00 News.
9.10 Sunday Papers.
9.15 Letter from America.
9.30 Morning Service.
10.15 The Archers. Omnibus.
11.15 Mediumwave.
11.45 The New Europeans.
12.15 Desert Island Discs.
1.00 The World This Weekend.
2.00 Gardeners' Question Time.
2.30 Classic Serial: Phoebe Junior.
3.30 Pick of the Week.
4.15 Analysis.
5.00 Born to be Mild.
5.30 Poetry Please!
6.00 Six O'Clock News.
6.15 Feedback.
6.30 Crimewaves. First of a six-part thriller, by Diane Whitley and Dave Simpson.
7.00 In Business.
7.30 A Good Read.
8.00 (FM) What If? The Cuban Missile Crisis.
8.00 (LW) Open University.
8.30 (FM) Cause Celebre.
9.00 (FM) The Natural History Programme.
9.30 (FM) Costing the Earth. How politicians select which research projects to support.
10.00 News.
10.15 Hancock's Half Hour. Back from Holiday, by Ray Galton and Alan Simpson.
10.45 Singing for a Living. American soprano Catherine Malfitano.
11.15 In Committee.
11.45 Seeds of Faith.
12.00 News and Weather.
12.33 Shipping Forecast.
12.43 (LW) As BBC World Service.
12.43 (FM) Close.

BBC RADIO 5

6.05 Hot Pursuits.
6.30 The Breakfast Programme.
9.00 Alastair Stewart's Sunday.
12.00 Midday Edition.
12.15 The Big Byte.
1.04 Sunday Sport.
7.00 News Extra.
7.35 Black to the Future.
8.00 The Ultimate Preview.
10.05 Special Assignment.
10.35 Crime Desk.
11.00 Night Extra.
12.00 Nightcall.
2.00 Up All Night.

WORLD SERVICE

BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m) at these times GMT:

6.00 News and features in German. 6.30 Composer Of The Month. 7.00 World and British News. 7.15 Letter from America. 7.30 Jazz For The Asking. 8.00 World News. 8.15 Crossing the Border. 8.30 From Our Own Correspondent. 8.50 Write On. 9.00 World News. 9.09 Words of Faith. 9.15 Ray on Record. 10.00 World News and Business Review. 10.15 Short Story: Ben. 10.30 Folk Routes. 10.45 Sports Roundup. 11.00 News Summary; Science in Action. 11.30 BBC English. 11.45 News and Press Review in German. 12.00 Newsdesk. 12.30 The John Dunn Show. 1.00 News Summary; Play of the Week: Blithe Spirit. 2.00 Newshour. 3.00 News Summary; Extraordinary and Plenipotentiary. 3.30 Anything Goes. 4.00 World News. 4.15 BBC English. 4.30 News and features in German. 5.00 World and British News. 5.15 BBC English. 6.00 World News and Business Review. 6.15 Printer's Devil. 6.30 News and features in German. 8.00 Sounds and Sweet Airs. 8.30 Europe Today. 9.00 World News. 9.09 Words of Faith. 9.15 All the World's a Football Pitch. 9.30 Jazz Score. 10.00 Newshour. 11.00 World News and Business Review. 11.15 Short Story. 11.30 Letter from America. 11.45 Sports Roundup. 12.00 Newsdesk. 12.30 Extraordinary and Plenipotentiary. 1.00 World and British News. 1.15 A Step Too Far. 1.30 In Praise of God. 2.00 News Summary; Mind and Body. 2.45 Crossing the Border. 3.00 Newsdesk. 3.30 Composer of the Month. 4.00 Newsdesk. 4.30 BBC English. 4.45 Fruhmagazin.

CHESS

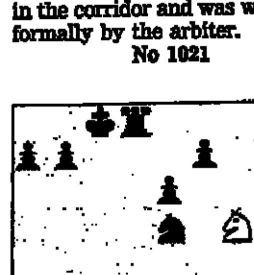
Chess is a non-verbal game, but chatting to friends between moves used to be a pleasant and accepted relaxation during playing sessions which might last four or five hours. You could discuss games in progress in a general way, although it was understood that you should not seek or receive specific advice about your own game.

In international tournaments, the lavatory was a favourite discussion centre and a venue for chess journalists needing rapid annotations. Najdorf, the Polish-Argentinian world title candidate, would hasten there after almost every move, greet colleagues with the rhetorical "Wie stehe ich?" then explain his strategy in voluble, broken German.

Those friendly days are past. One turning point was the 1986 Dubai olympics where England led the USSR with a few rounds to go. When their Spanish opponents openly discussed the games with the USSR trainers, the English were psyched into errors and spoilt their chance of the gold medals. Then there were allegations in several continental and US opens that east Europeans were playing as teams, not only with advice during play but by throwing games.

Recently the PCA, and many international tournaments, brought in no-talking rules which even caught Kasparov at Linares this year. He was annoyed when his rival, Karpov, escaped from a poor position, grumbled to another GM in the corridor and was warned formally by the arbiter.

No 1021



Sahovic v Botvinnik, Belgrade 1969, was a case where words affected the result. Botvinnik had set a trap but, as Sahovic (White, to move) stretched out his hand to play 1 Nxf7 expecting Nxf7 2 Bg6, Botvinnik's fellow Soviet, Ewfim Geller, said loudly: "Oh, you're the clever one."

Sahovic changed his move to 1 Rh1, they agreed a draw – and the furious ex-world champion never forgave Geller.

What happens after 1 Nxf7? *Solution Page XXIV*

Leonard Barden

BRIDGE

Here is a hand I shall never forget. I was playing rubber bridge with Derek Rimington:

N
♠ J 8 6 4
♥ A 9 3
♦ 6
♣ 9 8 6 5 3

W
♠ 9 7 5 2
♥ 7 6 5 2
♦ J 10 8 2
♣ 7

E
♠ A Q
♥ K 10 8 4
♦ A Q
♣ A K J 10 2

S
♠ K 10 3
♥ Q J
♦ K 9 7 5 4 3
♣ Q 4

North-South were vulnerable when I dealt as East and opened with two clubs. If South passes, my partner says two diamonds. I re-bid two no-trumps – showing a balanced 23-24 points – and West passes. After a diamond lead, with the club queen dropping, I will collect eight tricks, possibly nine, if the defence falters.

That is not what happened. South, in spite of adverse vulnerability, bid two diamonds. You ask: "After West and North passed, what did you re-bid?" But West did not pass – he doubled. Brilliant. He knew I would not pass if my hand was not suitable, and game was unlikely unless my hand was distributionally strong.

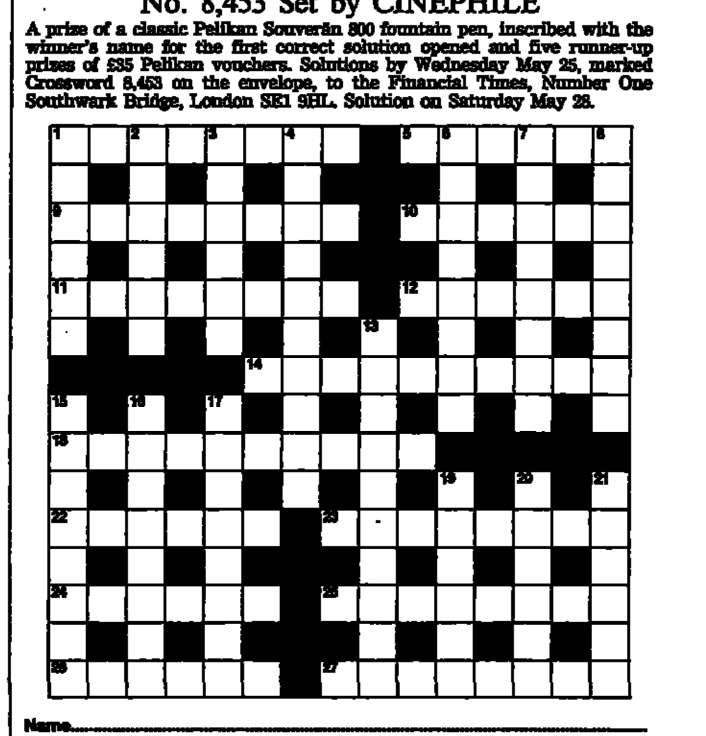
I was happy to pass and West led the spade two. I took with my ace, cashed the club king and switched to spade queen – I would like to ruff. Declarer took with king and continued with the 10 to the knave. I ruffed with my diamond queen and cashed my club ace. I continued with the 10, demanding a heart return. This was ruffed and over-ruffed; dummy's ace took the seven of hearts and the diamond six returned. I took my ace, cashed the heart king and led my club knave, allowing my partner to make one more ruff. That was 800 points, much better than 70 below.

E.P.C. Cotter

CROSSWORD

No. 8,453 Set by CINEPHILE

A prize of a classic Pelikan Souverän 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday May 25, marked Crossword 8,453 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday May 28.



Name..................

Address..................

ACROSS

1 Take name of evangelist between two pages (4-4)
5 Legendary place for a student in a county (6)
9 French painter endlessly embraced by God, as is proper (8)
10 Health centre brings nothing back for one in 200 (6)
11 Old rally to promote Wycliffism (8)
12 Producer and piano don't exist (6)
14 Aboriginal (otherwise Abo) vintner (6-4)
18 Fly study? Go solo without car test back at start of year (10)
22 Titled man partly or audibly black? (6)
23 Rate correction, without doubt, which is valuable (8)
24 Stature, first to last, of an octave (6)
25 Bogus source of fuel is scandalous (8)
26 Entice French aristocrat into bishopric (6)
27 Network club for American football (8)

DOWN

1 Youngster concealing cover-up in person (6)
2 Hide copper between commander and lieutenant (6)
3 Legendary witch in most of Welsh counties (6)
4 Legendary organisation where negotiations take place? (5,5)
6 Countryman makes most of disgusting drink (8)
7 Legendary lover altered call note (8)
8 Love and money in particular are poison (8)
13 Legendary ruler's family with enclosure at old city (4,6)
15 Predilection for impotence (8)
16 Saint surrounded with sort of instrument (8)
17 Cooked meat chip's definitely important (8)
19 Artificial un-English nymphomaniac (3-3)
20 Smoker in train (6)
21 Legendary wizard or falcon (6)

Solution 8,452

Solution 8,442

WINNERS 8,442: C. Mercer, Barley, Herts; Mrs E. Burrows, Old Hunstanton, Norfolk; T.S. Moore, London NW8; R. Pereira, Carrboro, North Carolina, USA; Hilda Stannage, Robin Hood's Bay, N. Yorkshire; T. Wheatcroft, London SW8.

Simply too embarrassed to own up

The present government's hypocrisy will give its opponents an easy time, says ***Dominic Lawson***

We are, of course, all deeply impressed by the decision of the Conservatives to abstain from political debate in the immediate aftermath of the death of John Smith MP. However, I suspect that the late Labour leader would have pointed out that the Conservative party had more to gain than Labour from such an absence of debate.

It is not the least of the many ironies surrounding Smith's sudden death, that it came at a time when he had at last found an issue with which he could harry the government into panic.

Do not believe everything that is said by way of eulogy: until last week the Labour Leader had become increasingly criticised by his own backbenchers for his seeming inability to create trouble for the government, rather than merely sit back and watch the conservatives fight among themselves.

But, in his relentless harrying of the government's conduct in the House of Commons, as it secretly condoned the talking-out of the disabled persons bill, Smith had returned to his element.

The facts are simple enough. The bill, sponsored by backbenchers of all parties, was designed to make it compulsory for all buildings and workplaces to be easily accessible to the disabled.

The government had discovered that this measure, which it affected not to oppose, would cost many billions of pounds to implement. Therefore, Nicholas Scott, Minister for the Disabled, gave authority to his civil servants to assist Conservative backbenchers with the drafting of a myriad of blocking amendments, which eventually destroyed the bill.

For reasons which remain unclear, or are all too clear, depending on your view of the man, Scott told the House of Commons that the government had no part in this fairly mundane piece of sabotage. Only after the debate was over, and the government got its wicked way, did Scott admit to the subterfuge and apologise for misleading the House.

A bit late, that, for the disabled, although one could imagine that some of them – in the manner described by Damon Runyon in the Lemon Drop Kid – had become so angry that they miraculously rose from their wheelchairs.

The problem for Scott is that while the cost of the measure proposed was clearly unacceptable, it was politically incorrect for a minister for the disabled to say so. Better to pretend that the government was not opposed to the measure, and let apparently maverick Tory MPs carry the political odium of playing Scrooge to the handicapped millions.

This form of hypocrisy is, unfortunately, entirely characteristic of the current government. Even when it is promulgating measures which rightly seek to reduce public spending, it insists that it is doing so for reasons of beneficence.

The Child Support Agency, for example, should properly be called the Exchequer Support Agency. The government noticed that social security payment to single mothers had got out of hand, and decided that the only way of evading those demands was to chase fathers for the money – even if those fathers had previously discharged their financial responsibilities by a one-off payment through an agreed court settlement.

This revenue-driven policy was defended by the government on the spurious grounds of social engineering, as if it was any business of the state to interfere in agreed court settlements between a man and wife.

Similarly the Deparment of Health likes to defend its policy of Care in the Community on the grounds that paranoid schizophrenics will all have a much nicer time wandering about the streets, rather than being locked up in secure accommodation.

No health minister has ever had the guts to say: "We must save money in the National Health Service and closing down asylums is a lesser evil than closing down even more hospitals."

For as long as the government is too embarrassed to admit to its motives – which, I repeat, are not bad ones – the job of the Opposition will be made joyfully simple.

John Smith's successor will have a wonderful time.

■ *Dominic Lawson is editor of The Spectator*

Private View/**Christian Tyler**

A chairman's moonlight sonatas

Ashley Ashwood

Amateur pianists may gnash their teeth in envy at the Yorkshire accountant who, while head of a large British engineering company, played the Grieg concerto with the Royal Philharmonic Orchestra at London's Festival Hall.

They should take comfort instead. For, says Sir Trevor Holdsworth – he is now chairman of National Power – business is a lot less difficult and frightening than preparing and performing a concerto.

When at home in Chelsea, Sir Trevor practises on his 'A' model Steinway for at least half an hour before breakfast, and leaves for work at 8.30. "Pianistic jogging," he calls it – a fixed routine of scales and arpeggios to flex the fingers, wrists and arms.

I asked him if the secret was knowing how to practise.

"Yes, it's discipline. As people get older they say: 'Now I've got time, I'm going to take up the piano.' There's no way they're ever going to be able to do it. You realise how much is built in by instinct; and the discipline you need, you've got over as a child when it was still interesting. Trying to do that intellectually at 60 must be almost impossible."

Why did you keep going?

"You can't escape it."

Did you think of it as an investment for your old age?

"Er ... yes. In the sense that it was a lovely interest to have outside business. Also you don't actually get worse as you get older whereas in practically everything else, you do. I've probably still got a musical handicap of minus four where my golfing friends are struggling."

Far from deteriorating, pianists usually improve with age: like the late Artur Rubinstein whom Sir Trevor used to meet regularly in the 1970s when they both stayed at the Savoy. "Rubinstein was inclined to be mischievous and say you shouldn't practise for more than two hours – it's a waste of time."

Apart from the Grieg, Sir Trevor has performed the Schumann concerto (also in A minor), Mozart's K453 in G, K488 in A and K595 in B flat, and given recitals of Chopin, Debussy and others.

He was as modest as only a serious amateur can be: laconic, discreet, reflective and good-humoured. But his sentences tended to die uncompleted and sometimes he knocked on the table while talking as if to drum up thoughts. In *Who's Who* his recreations are simply described as "music, theatre".

He started to play at the age of five and was forced by the grammar school to drop his favourite subject, science, because he wanted to take music in the sixth form. Why did he not make a career of it?

"I think actually I was very good at theory, at harmony, counterpoint, figured bass – lovely! – which is pure learning, and yet probably fell short of the final perfection, which is pure sound, which is instinctive."

Sir Trevor Holdsworth, is a captain of industry ... and a concert pianist

You are not the complete musician?

"Well, I might fall short because...it is too intellectual. Yes. I can memorise, by rules rather than by sound. I always slightly worry when I play in public. I know it absolutely perfectly. I could write it out. I could tell you the whole harmonic structure, which I feel sometimes is not quite..." He left the suggestion hanging.

Unlike the musical children of the suburban middle classes, young Trevor was not pushed. His father was a bookie. Sir Trevor called it turf accountant.

"My parents were very Yorkshire, very down to earth," he said. "They didn't think it was a career for a boy at all. As soon as it started getting serious they thought 'mmm...' They were probably right, actually. If there is any doubt, then you shouldn't be a musician. I think they felt there was a doubt."

And you suspected yourself you would never reach the top?

"Yeah. I didn't find myself being very upset when the answer was no."

Let me imagine the scene, I said: Bradford boy...practising secretly at night ... ("No, no," he laughed) ... father comes up with a strap ... says 'Get off that bloody piano ("Yes, yes") before I give you a right thrashing'. "No, no. They were very proud of me really. I was turned out to play and they bought a small grand for me."

His real mother died suddenly when he was only eight and he was brought up by a stepmother, intelligent and determined, but not interested in the arts. Did he think his ability came from his mother?

"My real mother? Yes, I do. Because I just sense she obviously liked singing, very much – not too serious, sort of Gilbert and Sullivan level, but very keen. Yes, I can remember that."

I thought I heard an echo of this later when I asked Sir Trevor who his favourite pianists were. He named Ashkenazy, Brendel, Horowitz (especially playing Scarlatti), then added:

"The piano's quite difficult. I almost think the voice and violin are more musical. I can be moved by them more easily. Maybe when you're listening to a piano you're always thinking about how it's done."

Did you keep going in memory of her?

"No, not consciously. But I often think that if she'd been around she probably would have been much more encouraging."

You don't feel thwarted?

"I don't actually." He almost whispered. "No, not really. I got involved with the other things so much it became a marvellous hobby and I kept it going wherever I was, whatever I was doing."

So after school, and the war still on, Trevor Holdsworth joined Rawlinson, Greaves & Mitchell, chartered accountants.

A two-year interlude with the British Forces Network as a "staff pianist" broadened his taste to encompass jazz and light music. Later, he wrote popular music for television.

He spent 10 years with Bowater, the paper makers, then 25 with GKN, turning a fading manufacturer of nuts and bolts into a motor supplier with a world dominance in front-wheel drives. He became president of the Confederation of British Industry. He is director or chairman of three small companies, one medium-sized (Allied Colloids, makers of water-absorbent polymers) and two large: National Power and the Prudential.

His wife, Patricia Ridler, connived at his double life: she was a repertory actress who played the violin. She died last year, also suddenly, of septicaemia and Sir Trevor has taken up her place on the board of the National Youth Theatre. There are three sons, all in business.

What, I asked, are the rewards of playing the piano?

"That you can have a parallel interest."

But stamp-collecting is a parallel interest.

"Music is the ultimate, I think ... pure sound. It's far deeper and got an emotional involvement as well. It's got everything."

Are you an emotional type?

"Yes, I think so. Really, quite." Then, *sotto voce*: "I suppose it's controlled. Yes. Yes."

You've spent all your life with businessmen. Are they stunted in this department?

"Well, I find a lot of them are really quite interested in it..." But his tone suggested otherwise.

Do you feel different?

"Not consciously, no." He whistled as if thinking whether to change his mind, but didn't.

Do you find business creative?

"Yes I do, actually. I regard it as very creative when you get it right. Marvellously creative."

Does the piano teach you useful things?

He toyed with the idea, then said: "I've always been very good in business on concepts and strategy and that sort of thinking. Whether that is a sort of sonata form ... Good music is all about starting with something and developing it, in a satisfactory form. There might be some spin-off between the two there. Probably is."

Or perhaps you are a hard-headed businessman who approaches music the same way, which is why you never became a professional?

"That would be a description hard to pin on me. I get it right, perhaps, more often than I get it wrong, but not from being hard-headed."

People call you laid-back. What does that mean?

"Well, that I don't appear to be hard-headed and thrusting. Actually, there's a sort of illusion about business, that it's all action-oriented. There's a feeling you should be rushing around, taking decisions, bang-bang. That's a mistaken impression."

Sir Trevor refuses business breakfasts. Had he stuck to that rule?

"I've hardly broken it, ever. I gave up City lunches as well for a time."

Perhaps this is the musical connection – that your attitude to business is more reflective?

"Yes. It is, actually. Probably."

It's the music that matters, not the notes?

"I'm much more interested in the objective. Then you can fill in the piece. Until I talked to you today I hadn't actually tried to formalise it."

Have you discovered useful things about yourself at the keyboard?

He whistled and pondered. "The one thing that I've found ...that when I'm doing it I'm not thinking about anything else. That's the one thing that's all-absorbing. Yes. When I'm building up to a concert, I work very hard. I'm always very nervous. And yet, appearing in public for other things ...the CBI for two years...I'm totally in control.

"I still want..." He knocked at the table. "Yes, I still like a challenge. I'd like to be able to do it a little easier. Yes, it's that competitive spirit again."

Are you going to say that running a business is a piece of cake by comparison with working up a concerto?

"Yeah, it is. After all, we get away with murder, don't we? I mean you're not on test every time. In business you get away with being very slack, or sloppy. You're not being tested every day, are you?"

Major in his bunker

Michael Thompson-Noel

You have to admire John Major's insouciance. He is the prime minister of Britain, and has made a pig's ear of it. Is he despondent? Not on your life. He is getting quite bolshie, as witnessed by his recent declaration, outside 10 Downing Street, that if any usurpers from his own party had a mind to topple him, there he would be, togged up and waiting – ready to repel them.

You can judge the perilousness of Major's position by the fact that virtually his only supporter in the media is dotty Woodrow Wyatt.

There can be no danger in calling Wyatt dotty, given the éclat with which he prods and punches those around him – even fellow columnists on *The Times*. On Tuesday, Wyatt accused poor old Smoggie, William Rees-Mogg, of making a "daft suggestion" – replacing Major as prime minister with Michael Heseltine and appointing Major foreign secretary.

(On austere newspapers, columnists do not swipe at each other like that. They treat each other respectfully, with a wintery smile or a nod; there is certainly no rudery.)

So worried was I by Wyatt's latest encomium on John Major's behalf that I rocked up to Downing Street to see Major myself, as I do occasionally. These visits are always jolly. We enjoy a large supper of bacon, chops, eggs, tomatoes, mushrooms and fried bread. And then I try to persuade Major to walk the plank – to quit gracefully, and silently, for the good of the country.

He wasn't there. But the visit was not wasted, for I came to hear of the extreme measures being taken by the PM to turn 10 Downing Street into a fortress.

My informant was a cove named Major Julian Summerbee, allegedly loaned by the army to help the prime minister dig himself in. Readers of a literary bent may imagine there to be similarities between Major Julian Summerbee, whom I met at 10 Downing Street, and the major in John le Carré's latest novel, *The Night Manager* – Major Corkoran, assistant to le Carré's arms dealer, Dicky Roper. Perhaps there *are* similarities, though that is not something on which I could comment.

When I encountered him, Major Summerbee was smoking a Turkish cigarette and studying various lists.

"Hello, love," he said. "You seem forlorn and lost."

"Am I?" I riposted. "I am looking for the prime minister."

"Not here, sweetheart," said Summerbee. "He 'coptered off an hour ago. Probably something and nothing."

"So what do *you* do?" I asked.

He replied: "Readying for the siege, dear. I'm an expert on survival. You are talking to the man who wrote the survival manuals for the SAS, the paras and the Royal Marine Commandos. Traps. Tools. Weapons. Wilderness first-aid. Minimising water loss. Ropes and knots, of course. Signalling and navigation. Coping with Mother Nature. Terrain. Movement. Shelters. I'm a pan-specialist, actually: tropical, desert, temperate – polar, if you like. They are all the same at heart, heart."

HAWKS & HANDSAWS

"What are those lists you've got?"

He puffed out a smoke-wreath. "Weapons and traps, old love. I'm prioritising our plans. You would be amazed, dear, at the lack of readiness in this building. Here we are, about to be assaulted by crazed and vengeful Tories, and *no thought at all* has been devoted to weapons and traps."

"Traps?"

"Deadfalls, mainly, triggered by tripline release action. Also a few spear traps. *They* are quite delicious. I also want snares and noose sticks, though time is running short."

"Weapons?"

"Bows and arrows, lover. I've stipulated yew staves 4ft long, tapering from a central width of 2in to ¾in at the ends. There's a yew table upstairs which the servants are cannibalising. For the string, always use rawhide. Arrows are easy, heart: 2ft long, ¼in wide, smooth and straight as possible, notched at one end, with arrow flights made from feathers, paper, light cloth or trimmed leaves. Arrow-heads? I can see you are gasping to hear. Answer: tin, flint, bone or hardwood. Personally, I love tin."

I reeled into the night. The determination with which John Major is digging himself in had caught me unawares. As I retreated down Downing Street, Major Summerbee blew a kiss and puffed another smoke-wreath.